



DRB-HICOM

RESOLUTE & RESILIENT

We are committed to staying resolute and resilient. The difficult economic conditions faced during the financial year have made us especially resolute in achieving our mission and vision as well as our efforts to strengthen the fundamentals of our businesses. We have not wavered in ensuring the long-term sustainability of our businesses and in our commitment towards increasing value to our shareholders.

We have also been resilient. Our achievements during the financial year speak for us. One milestone was our acquisition of DRB-HICOM Asia Cargo Express Sdn Bhd. With this, we are on our way towards becoming the leading logistics solution provider in the region, providing a one-stop solution to our clients. In addition, International College of Automotive (ICAM) was upgraded to DRB-HICOM University of Automotive Malaysia after being granted full university status, making it the only university in ASEAN to offer home-grown Bachelor's, Master's and PhD programmes in the field of automotive studies.

Moving forward, we have in the pipeline plans to grow our businesses, particularly surrounding the logistics industry. That is how we shall stay in the game, always resolute amid challenges.

WHAT'S INSIDE

HIGHLIGHTS

- 2 Notice of Annual General Meeting
- 5 Statement Accompanying the Notice of Annual General Meeting

CORPORATE DISCLOSURE

- 6 Our Vision, Our Mission, Our Shared Values
- 7 At a Glance
- 8 Corporate Profile
- 12 An Eventful 2015/2016
- 18 Financial Calendar
- 19 Corporate Information
- 20 Group Corporate Structure
- 22 Investor Relations

PERFORMANCE REVIEW

- 26 Group 5 Years Financial Highlights

LEADERSHIP

- 28 Board of Directors' Profile
- 37 Board of Management
- 38 Management Team

ACCOUNTABILITY

- 40 Statement on Corporate Governance
- 58 Directors' Statement on Risk Management & Internal Control
- 63 Audit Committee Report
- 70 Additional Compliance Information
- 73 Statement of Directors' Responsibility
- 74 Risk Management

PERSPECTIVE

- 80 A Word from the Chairman
- 86 Group Managing Director's Review of Operations
- 94 Automotive Sector
- 110 Services & Education Sector
- 122 Property, Asset & Construction Sector

KEY INITIATIVES

- 126 Human Capital Development
- 132 Corporate Responsibility

FINANCIAL STATEMENTS

- 140 Directors' Report
- 144 Statements of Comprehensive Income
- 146 Consolidated Statement of Financial Position
- 148 Company Statement of Financial Position
- 149 Consolidated Statement of Changes in Equity
- 151 Company Statement of Changes in Equity
- 152 Statements of Cash Flows
- 157 Notes to the Financial Statements
- 313 Supplementary Information on the Breakdown of Realised and Unrealised Profits
- 314 Statement by Directors
- 314 Statutory Declaration
- 315 Independent Auditors' Report

OTHER INFORMATION

- 317 Analysis of Shareholdings
- 320 Share Performance Chart
- 321 Material Properties of DRB-HICOM Group
- Form of Proxy

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twenty-Sixth Annual General Meeting ("26th AGM") of DRB-HICOM Berhad ("the Company") will be held at Glenmarie Ballroom, Holiday Inn Kuala Lumpur Glenmarie, No. 1, Jalan Usahawan U1/8, Seksyen U1, 40250 Shah Alam, Selangor Darul Ehsan on Thursday, 29 September 2016 at 9.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 March 2016 together with the Reports of the Directors and Auditors thereon. **(Note 1)**
2. To approve the declaration of a single tier first and final dividend of 2.0 sen per share in respect of the financial year ended 31 March 2016 as recommended by the Directors. **(Resolution 1)**
3. To re-elect the following Directors who retire in accordance with Article 85 of the Company's Articles of Association:
 - (a) YBhg Dato' Sri Syed Faisal Albar bin Syed A.R. Albar **(Resolution 2)**
 - (b) YBhg Dato' Siti Fatimah binti Daud **(Resolution 3)**
 - (c) YBhg Dato' Abdul Rahman bin Ahmad. **(Resolution 4)**
4. To consider and if thought fit, to pass the following Ordinary Resolutions in accordance with Article 79 of the Company's Articles of Association and/or the Malaysian Code on Corporate Governance 2012 ("MCCG 2012"):
 - (a) "THAT YBhg Brigadier General (K) Tan Sri Dato' Sri (Dr) Haji Mohd Khamil bin Jamil, the Director retiring by rotation in accordance with Article 79 of the Articles of Association of the Company, be and is hereby re-elected as a Director of the Company." **(Resolution 5)**
 - (b) "THAT YBhg Tan Sri Marzuki bin Mohd Noor, the Director retiring by rotation in accordance with Article 79 of the Articles of Association of the Company and having served as an Independent Director for more than nine (9) years, be and is hereby re-elected and retained as a Senior Independent Director of the Company." **(Resolution 6)**
5. To consider and if thought fit, to pass the following Ordinary Resolution in accordance with Section 129 of the Companies Act, 1965 and the MCCG 2012:

"THAT Mr Ong le Cheong, the Director retiring pursuant to Section 129 of the Companies Act, 1965 and having served as an Independent Director for more than nine (9) years, be and is hereby re-appointed and retained as an Independent Director of the Company to hold office until the conclusion of the next annual general meeting." **(Resolution 7)**
6. To re-appoint Messrs Ernst & Young as Auditors of the Company for the financial year ending 31 March 2017 and to authorise the Board of Directors to fix their remuneration. **(Resolution 8)**

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN THAT the single tier first and final dividend of 2.0 sen per share in respect of the financial year ended 31 March 2016, if approved by the shareholders at the 26th AGM, will be paid on 1 November 2016 to the shareholders whose names appear in the Record of Depositors of the Company at the close of business on 11 October 2016.

A depositor shall qualify for entitlement to the dividend only in respect of:

- (a) shares deposited into the depositor's securities account before 12.30 p.m. on 7 October 2016 in respect of shares which are exempted from mandatory deposit;
- (b) shares transferred into the depositor's securities account before 4.00 p.m. on 11 October 2016 in respect of ordinary transfers; and
- (c) shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD

DATO' CAROL CHAN CHOY LIN (MIA 3930)

Company Secretary

Shah Alam, Selangor Darul Ehsan
29 July 2016

NOTICE OF ANNUAL GENERAL MEETING

NOTES:-

1. Audited Financial Statements

This agenda item is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 ("Act") does not require the Audited Financial Statements to be formally approved by the shareholders. Hence, this item is not put forward for voting.

2. Re-election, re-appointment and retention of Directors

The Act, Articles of Association of the Company and MCCG 2012 governing the re-election, re-appointment and retention of Directors are as stated below:

- (a) Article 85 of the Company's Articles of Association provides that any Director appointed during the year shall hold office only until the next Annual General Meeting ("AGM"), and shall then be eligible for re-election.
- (b) Article 79 of the Company's Articles of Association provides that one-third (1/3) or the number nearest to one-third (1/3) of the Directors for the time being, shall retire from office so that all the Directors shall retire from office once at least in every three (3) years. Article 80 provides that a retiring Director shall be eligible for re-election.
- (c) Recommendation 3.3 of MCCG 2012 provides that shareholders' approval can be sought in the event that the Company intends for an independent director who has served in that capacity for more than nine (9) years, to continue to act as Independent Director of the Company.
- (d) Section 129 of the Act provides that a Director who is over the age of seventy (70) years shall vacate his position as a Director of the Company at the conclusion of the AGM and upon the shareholders' approval be re-appointed as a Director of the Company to hold office until the conclusion of the next AGM. The re-appointment will only take effect, if the proposed ordinary resolution is passed by a majority of not less than three-fourths of such members of the Company as being present and entitled to vote in person or where proxies are allowed, by the proxy at the AGM of the Company.

The Directors who are subject to the re-election, re-appointment and retention at the 26th AGM are as follows:

- (a) Article 85 – Casual vacancy
 - (i) YBhg Dato' Sri Syed Faisal Albar bin Syed A.R. Albar (Appointed on 1 March 2016)

- (ii) YBhg Dato' Siti Fatimah binti Daud (Appointed on 1 April 2016)

- (iii) YBhg Dato' Abdul Rahman bin Ahmad (Appointed on 16 May 2016)

- (b) Article 79 – Retirement by rotation

YBhg Brigadier General (K) Tan Sri Dato' Sri (Dr) Haji Mohd Khamil bin Jamil

- (c) Article 79 and Recommendation 3.3 of MCCG 2012 – Retirement and retention as Independent Director

YBhg Tan Sri Marzuki bin Mohd Noor (more than 9 years as Independent Director)

- (d) Section 129 and Recommendation 3.3 of MCCG 2012 – Re-appointment and retention as Independent Director

Mr Ong le Cheong (Aged 75 and more than 9 years as Independent Director).

All Directors standing for re-election and re-appointment as Directors and being eligible, have offered themselves for re-election and re-appointment at the 26th AGM save for YBhg Datuk Haji Abdul Rahman bin Mohd Ramli (Aged 77) who has notified the Board of his intention not to seek for re-appointment due to his other commitments. Accordingly, YBhg Datuk Haji Abdul Rahman bin Mohd Ramli will cease to be a Director of the Company upon the conclusion of the 26th AGM of the Company.

The Board through the Nomination and Remuneration Committee ("NRC") and having considered the eligibility and suitability of the Directors who are subject to re-election in accordance with Articles 85 and 79 of the Company's Articles of Association and re-appointment pursuant to Section 129 of the Act, is of the opinion that the Directors meet the criteria of character, skill, experience, integrity, competence and time commitment to effectively discharge their roles as Directors and recommended for the shareholders' approval the re-election and re-appointment of the said Directors at the 26th AGM of the Company.

In addition, the NRC had assessed and the Board had endorsed that the Independent Directors who are seeking for re-election and re-appointment at the 26th AGM of the Company comply with the independence criteria as prescribed in the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad and remained independent in exercising their judgement and in carrying out their duties as Independent Directors.

The justifications of the Board for recommending YBhg Tan Sri Marzuki bin Mohd Noor and Mr Ong le Cheong, who have served as Independent Directors of the Company for more than nine (9) years to continue in office as Independent Directors are set out in the Statement on Corporate Governance for the Annual Report 2016 of the Company.

3. Proxy

- (a) A member entitled to attend the meeting may appoint not more than two (2) proxies who may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Act shall not apply to the Company.
- (b) Where a member of the Company is an authorised nominee, as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds to which ordinary shares in the Company are credited.
- (c) For an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account (omnibus account), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- (d) The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised in writing.
- (e) Where a member/an authorised nominee/an exempt authorised nominee appoints proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies. If the form of proxy is returned without an indication as to

how the proxy shall vote on any particular matter, the proxy may exercise his/her discretion as to whether to vote on such matter and if so, how.

- (f) A proxy appointed to attend and vote at the meeting shall have the same rights as the member to speak at the meeting. The lodging of a form of proxy does not preclude a member from attending and voting in person at the meeting should the member subsequently decide to do so.
- (g) The instrument appointing a proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy thereof, shall be deposited at the office of the Share Registrar, Symphony Share Registrars Sdn. Bhd., Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan (Tel: 03-7849 0777) not less than forty-eight (48) hours before the time set for holding this meeting.

4. General Meeting Record of Depositors

For the purpose of determining a member who shall be entitled to attend the 26th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to issue a General Meeting Record of Depositors as at 22 September 2016. Only a depositor whose name appears therein shall be entitled to attend the 26th AGM or appoint a proxy(ies) to attend and vote on such depositor's behalf.

5. Voting Procedure

Pursuant to Paragraph 8.29A of the MMLR, voting at the 26th AGM of the Company will be conducted by poll, rather than on a show of hands. Poll Administrator and Independent Scrutineers will be appointed to conduct the polling process and to verify the results of the poll, respectively.

STATEMENT ACCOMPANYING THE NOTICE OF ANNUAL GENERAL MEETING

(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

No notice in writing has been received by the Company nominating any candidate for election as Director at the 26th AGM of the Company. The Directors who are due for retirement and seeking for re-election and re-appointment are as set out in the Notice of 26th AGM.

OUR VISION



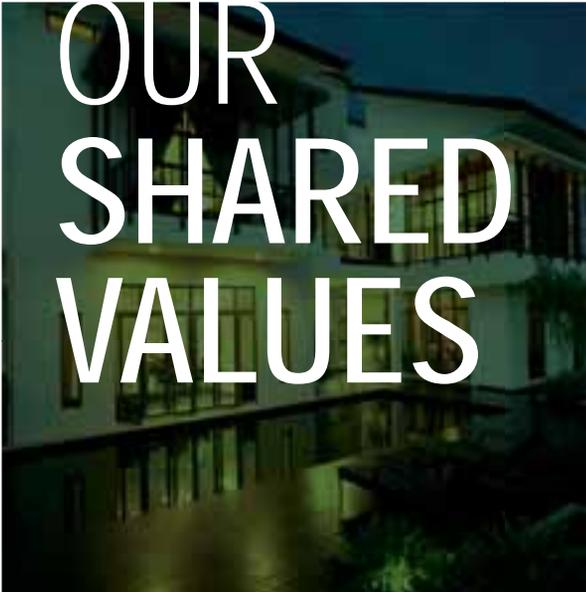
To be number 1 and continuously excel in all that we do

To lead in the growth of the nation in the areas of DRB-HICOM's core businesses

OUR MISSION



OUR SHARED VALUES



- » Excellence
- » Innovation
- » Decorum
- » Quality
- » Teamwork
- » Transparency
- » Integrity

AT A GLANCE



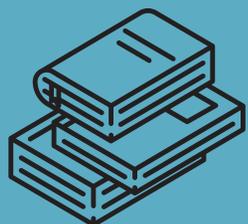
Employs more than
60,000
people



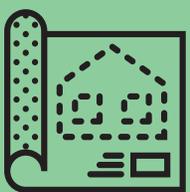
One of the nation's
largest
and most
diverse
conglomerates



Automotive



Services & Education



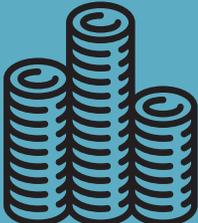
Property, Asset &
Construction

**3 core
sectors**



More than
90
operating companies

Incorporated for more than
25 years



Revenue for FY2015/2016
**RM12.17
billion**



CORPORATE PROFILE

The DRB-HICOM Group is a Malaysian icon and one of the nation's largest and most diverse conglomerates with businesses in the Automotive, Services & Education, and Property, Asset & Construction sectors. The Group has recently seen a revitalisation of its businesses, the creation of new revenue streams and the injection of new lines of businesses through the execution of a number of strategic moves aimed at increasing growth and profitability.

One of the moves has been the Group's strategy of leveraging the existing diversity within the companies in its fleet, particularly in its Services sector.

While KL Airport Services Sdn Bhd (KLAS) provides aviation ground services including ground handling, cargo handling, in-flight catering, aircraft maintenance and engineering services, Konsortium Logistik Berhad (KLB) is an integrated logistics services provider comprising five business units: automotive logistics, haulage, freight forwarding, logistics, distribution and warehousing, and project logistics. DRB-HICOM Asia Cargo Express Sdn Bhd (ACE), the most recent addition to the Group, delivers air cargo services while Pos Malaysia Berhad (Pos Malaysia) continues to be the leading courier services provider in the country.

In harnessing the synergy of the capabilities and services offered by KLAS, Pos Malaysia, KLB, DRB-HICOM Auto Solutions Sdn Bhd (DHAS) and ACE, DRB-HICOM has become the only provider of end-to-end logistics services for businesses and individuals in the country, with its enhanced capabilities setting it well on the path to becoming a regional player. To further grow its logistics division, the Group made another strategic move - that of venturing into the

fast-growing e-commerce business as a fulfilment provider. With this, the Group's logistics business looks to becoming promising and substantial revenue contributor.

As for the Group's Automotive sector, it is the most comprehensive automotive business in the country, being involved in every link of the automotive chain for a wide range of vehicles from motorcycles, passenger, commercial and customised vehicles such as buses, ambulances, police vehicles, fire trucks and garbage compactors. This chain includes vehicle design and development, component manufacturing, assembly, inspection, distribution, sales and after-sales service.

The strategic and dynamic partnership between DRB-HICOM Commercial Vehicles Sdn Bhd (DHCV) and Tata Motors will offer various synergies for all parties involved and will keep pace with the market's demand for new and more technologically-advanced products. Also, the recently announced collaboration between PROTON and Suzuki will enable both companies to fulfil customer expectations, particularly in terms of new product range thereby potentially optimising sales.

CORPORATE PROFILE



The Automotive sector also manufactures and assembles land-based military vehicles and provides maintenance and refurbishment services through DRB-HICOM Defence Technologies Sdn Bhd (DEFTECH) and Defence Services Sdn Bhd (DSSB).

DEFTECH plays an integral role in developing and manufacturing state-of-the-art armoured and logistics vehicles for the Malaysian Armed Forces. DSSB, a subsidiary of DEFTECH, continues to play a key role in being the premier military, commercial vehicles and equipment maintenance, repair and overhaul service provider.

DEFTECH entered into a joint venture project with Thailand's Chaiseri Metal and Rubber Co Ltd for the production of the latest armoured vehicle for the Malaysian Armed Forces which is showing promising export potential. This joint venture marks Malaysia as the first ASEAN country and DRB-HICOM as the first Malaysian company to enter into a contract with another company within ASEAN for the production of armoured vehicles, thus representing a milestone for the Group.

More evidence of the Group's top-notch capabilities is the success of Composites Technology Research Malaysia Sdn Bhd (CTRM), another subsidiary of DEFTECH, in securing a two-fold increase in its existing contract with Airbus from RM6 billion to RM12 billion.

CTRM has led the Group to become a leading global player in the composites and the aerospace industry, serving not only regional customers but also as a strategic partner of choice for Airbus and Boeing, the two main aircraft manufacturers in the world, manufacturing critical components using cutting edge technologies for their aircraft.

CTRM prides itself of being the only company in Asia and possibly the world with 13 autoclaves all housed under one plant, at Batu Berendam, Melaka. With five subsidiary companies under its wing, CTRM's business and expertise span the commercial and military aerospace and non-aerospace, general aviation and defence industries as it continues to play a crucial role in the global aviation industry.

Within its Services sector, DRB-HICOM holds government and local authority concessions through Alam Flora Sdn Bhd (Alam Flora), the country's leading solid waste management company. Adding to our list of achievements is Alam Flora securing contracts by DBKL for the maintenance of transfer stations and also being awarded the concession for solid waste and public cleansing management for Pahang Tenggara and Fraser's Hill.

Alam Flora has expanded its non concession businesses such as collection of industrial, commercial & institutional waste (ICI), collection of renovation & construction waste (RCW), recycling, collection and management of scrap materials, landfill management and further diversified its business activities to integrated facility management services (IFM) and solid waste facilities management such as operation and maintenance of transfer stations and leachate treatment plants.

PUSPAKOM Sdn Bhd (PUSPAKOM), also in the Group's Services sector, and which is the only commercial vehicle inspection company in the nation, expanded its Premier Mobile Inspection services to Kota Baru, Kuala Terengganu, Alor Setar and Kuantan. The provision of this service constitutes an expansion of business for PUSPAKOM and the response has been very encouraging.

DRB-HICOM entered the Education sector with its International College of Automotive (ICAM) in 2010. In just five years, it has been accorded university status and is now proudly called DRB-HICOM University of Automotive Malaysia (DHU), a new national landmark in higher education. DHU is committed to benefiting the national automotive industry through the sustainable development and supply of human capital to the industry.

It further enables the Group's workers in its automotive business, one of its critical assets as the largest and only fully integrated automotive corporation in the country, to continuously upgrade

their skills and knowledge. DHU also has the honour of being the only university in ASEAN to offer home-grown Bachelor's, Master's and doctoral programmes relating to the automotive ecosystem, in addition to offering business and management courses such as finance and accounting.

In the Property, Asset & Construction business, DRB-HICOM has a solid and enviable reputation as a developer of luxury and quality residential, industrial, commercial and hospitality projects supported by an excellent network of infrastructure and amenities.

Despite the imposition of more stringent lending guidelines by Bank Negara and the current contracted property market environment, the Group's product offerings is expected to see encouraging growth and appreciation in market value. This is reflected in its first development in Johor launched in May 2015 that recorded 85% sales despite the current market and economic challenges. The deciding factors for the uptake of our developments have been right pricing, a good development concept paired with a trusted brand and a strategy of "selling what the people want to buy".

In the Group's financial services portfolio is Bank Muamalat Malaysia Berhad, giving it a niche in the Islamic banking sector which is seeing exponential global growth.

The Group's diversified business portfolio will enable it to continue capitalising on synergistic opportunities within its Group of companies. Additionally, new strategic collaborations, focusing on new business opportunities, prudent cost management and improvement of operational efficiency will see it make further inroads, adding to its contribution to national development and economic growth. The Group will strive to remain resolute in being one of the nation's largest and most diversified conglomerates and stay resilient in facing future challenges.





AN EVENTFUL 2015/2016





Corporate



Business

Corporate
Responsibility

APRIL 2015



4

**Working visit to DRB-HICOM Automotive Complex**

Minister of International Trade and Industry, YB Dato' Sri Mustapa Mohamad and delegation from MITI visited DRB-HICOM Automotive Complex in Pekan. The entourage was briefed on the operation of the complex and later taken for a tour of DRB-HICOM University of Automotive Malaysia and the Volkswagen Plant in HAMM.



8

Working visit to CTRM, Melaka

Minister of International Trade and Industry, YB Dato' Sri Mustapa Mohamad and delegation from MITI visited CTRM Complex in Batu Berendam Melaka. The visit was coordinated by MIDA Melaka for a better understanding of the activities carried out by CTRM.



18

Anugerah kecemerlangan PT3, SPM, STPM 2014

A yearly programme to recognise and motivate the children of Warga DRB-HICOM Group to excel in their education. This year, a total of 330 children received their awards from the Group's senior management members.

APRIL 2015



23

**ACM handing over of vehicles to Tenaga Nasional Berhad**

Automotive Corporation (Malaysia) Sdn Bhd (ACM), handed over 60 units of Isuzu NPR7 1 light-duty trucks to TNB. The delivery was the first phase of 200 units of trucks to TNB over the next two years. The contract was worth RM31 million.

JUNE 2015



3

**Launch of MV Zara Sofia**

Konsortium Logistik Berhad (KLB) launched its first Roll-On/Roll-Off (RoRo) vehicle carrier vessel named MV Zara Sofia. The launch was officiated by DRB-HICOM Berhad's former Chairman, YBhg Dato' Syed Mohamad Syed Murtaza. The vessel would enable KLB to provide end-to-end automotive logistics services including vehicle transit centre at Port Klang and car distribution centre hubs at Kota Kinabalu and Kuching.

AN EVENTFUL 2015/2016

JULY 2015		SEPTEMBER 2015	
	<p>3 Iftar Warga DRB-HICOM</p> <p>DRB-HICOM held an iftar in Menara Felda, KL which attracted more than 900 Warga DRB-HICOM and their family members. The children were each presented with duit raya.</p>		 <p>8 Launch of MODENAS CT115s</p> <p>The new MODENAS CT115s was launched by YBhg Dato' Syed Mohamad Syed Murtaza, the former DRB-HICOM Chairman at Bangsar Shopping Centre.</p>
	<p>10 Iftar Warga DRB-HICOM Utara</p> <p>An iftar gathering was held with Warga DRB-HICOM Utara at Modenas Complex. More than 1,000 warga from our subsidiaries in the northern region attended the event.</p>		 <p>9 DRB-HICOM AGM</p> <p>The 25th Annual General Meeting was held at Glenmarie Ballroom, Holiday Inn Kuala Lumpur, Glenmarie. More than 1,500 shareholders attended the AGM.</p>
AUGUST 2015			
	 <p>12 Launch of Bulan Kemerdekaan</p> <p>The launch of Bulan Kemerdekaan was held in conjunction with Majlis Aidilfitri organised by Kelab Sukan DRB-HICOM.</p>		<p>22 Media Visit to Tata 3S Centre Selayang</p> <p>A total of 34 media representatives visited the centre. The event also witnessed the handing over of mock keys to Tata Truck purchasers.</p>



Corporate



Business

Corporate
Responsibility

OCTOBER 2015		OCTOBER 2015			
	1 to 3	<p>DRB-HICOM at Asean Logistics & Transport Show</p> <p>DRB-HICOM together with 14 subsidiaries showcased its capabilities as a major industry player with total end-to-end integrated logistics solutions including sea, land and air logistic services.</p>			
	3 to 4				
	<p>DRB-HICOM 1st AGG Gymnastics Tournament</p> <p>1st Aesthetic Group Gymnastics (AGG) was organised by Total Gymnastique Sdn Bhd and sponsored by DRB-HICOM.</p>	22	<p>Signing of MoU between Royal Malaysian Police and CTRM Aviation</p> <p>CTRM Aviation Sdn Bhd (CTRM Aviation) signed a RM18 million three year contract with Royal Malaysian Police Air Operation Force to supply, repair/overhaul components and spare parts for six units of Cessna Caravan 208, four units of Cessna 172 and five units of King Air 350.</p> <p>The MoU was signed in conjunction with the General Police Exhibition & Conference 2015 and witnessed by Deputy Prime Minister, YAB Dato' Seri Dr Ahmad Zahid Hamidi.</p>		
	13	<p>Visit by Majlis Agama Islam & Adat Istiadat Perak to DRB-HICOM</p> <p>A delegation from Majlis Agama Islam & Adat Istiadat Perak made a working visit to DRB-HICOM.</p>	NOVEMBER 2015		
	20 to 21	<p>Safety, Health and Environment Week</p> <p>A safety, health and environment campaign was held at Wisma DRB-HICOM to raise awareness amongst Warga DRB-HICOM.</p>		6 to 8	<p>DRB-HICOM Autofest 2015</p> <p>The 4th DRB-HICOM Autofest held at EON Complex gathered 11 brands under our wing. Apart from the showcase of latest models, customers were treated to test drives and interesting activities such as wheelies on Modenas bike and stunt shows.</p> <p>In conjunction with the Autofest 2015, the DRB-HICOM Elite card was also launched. DRB-HICOM Elite is a loyalty programme aimed at rewarding consumers with points when spent at participating merchants.</p>

AN EVENTFUL 2015/2016

NOVEMBER 2015		DECEMBER 2015	
	 <p>29 Visit to DHU by Minister of Higher Education</p>		<p>2 CTRM Aero Composites Sdn Bhd and Spirit AeroSystem Forge Partnership</p> <p>The contract extension of 10 years until 2025 that was signed with Spirit AeroSystem covers the production and supply of Airbus single aisle, Airbus A350 J Nose and Root End Fixed Fairing and Boeing Sustaining Programme.</p>
DECEMBER 2015		JANUARY 2016	
	 <p>2 Launch of Audi KL Service Centre</p> <p>The new Audi Kuala Lumpur Service Centre was launched in Jalan Chan Sow Lin. The launch was officiated by YBhg Brigadier General (K) Tan Sri Dato' Sri (Dr) Haji Mohd Khamil Jamil, Chairman of DRB-HICOM Berhad.</p> <p>Also present to witness the ceremony were Mr Immo Buschmann, Managing Director of Audi Malaysia and YBhg Dato' Radzaif Mohamed, former Chief Operating Officer, Automotive Distribution & Manufacturing, DRB-HICOM Berhad.</p>		 <p>15 to 17 EURASIA Cup presented by DRB-HICOM</p> <p>The Eurasia Cup returned to Glenmarie Golf & Country Club for the second time. This year, Darren Clarke and Jeeve Milkha Singh were the captains of Europe and Asia respectively. Europe Team won with a score of 18½ - 5½.</p>
		<p>29</p>	<p>Lotus Evora 400 Unveiled</p> <p>The new Lotus Evora 400 was unveiled at its showroom in Jalan Damansara. The Lotus Evora 400 is the fastest road-going Lotus car that has ever been produced.</p>



Corporate



Business

Corporate
Responsibility

FEBRUARY 2016



5

DRB-HICOM FC 2016 Team Introduction

DRB-HICOM FC unveiled their players, officials and sponsors for 2016 season of Malaysia Premier League. This year, DRB-HICOM registered 25 players, 10 coaches and five officials.

FEBRUARY 2016



21

DRB-HICOM University of Automotive Malaysia 3rd Convocation

A total of 230 graduates received their diplomas from DHU's Chancellor, KDYTM Tengku Mahkota Pahang. Zetty Nur Aida Ahmad Zahir, who graduated with a Diploma in Automotive Retail Management with CGPA of 3.99 was the recipient of the Chancellor's Award while Noor Atiqah Abdul Wahab, who graduated with a Diploma in Automotive Management System won the Chairman's Award.



21

Launch of DRB-HICOM University of Automotive Malaysia

DRB-HICOM University of Automotive Malaysia (DHU) was officially launched by YAM Tengku Mahkota Pahang Tengku Abdullah Sultan Haji Ahmad Shah on behalf of DYMM Sultan of Pahang and witnessed by YAB Dato' Sri Mohd Najib Tun Abdul Razak, Prime Minister of Malaysia.

Pahang Menteri Besar YAB Datuk Seri Adnan Yaakob and Higher Education Minister YB Datuk Seri Idris Jusoh were also in attendance. The launch was followed by the installation of KDYTM Tengku Mahkota Pahang as the first Chancellor of DHU.

MARCH 2016



24

Launch of ACE's New Livery

The launch was officiated by the Minister of Transport, YB Dato' Sri Liow Tiong Lai. ACE is the main service provider for Pos Malaysia, for its courier and mail services between the Peninsular, Sabah and Sarawak.

FINANCIAL CALENDAR

for the Financial Year ended 31 March 2016

Announcement of Unaudited Consolidated Results

1st QUARTER

ended
30 JUNE 2015

27
AUGUST 2015

2nd QUARTER

ended
30 SEPTEMBER 2015

26
NOVEMBER 2015

3rd QUARTER

ended
31 DECEMBER 2015

25
FEBRUARY 2016

4th QUARTER

ended
31 MARCH 2016

31
MAY 2016

Dividend

FIRST AND FINAL

SINGLE TIER DIVIDEND OF 2.0 SEN PER SHARE

NOTICE DATE

29
JULY 2016

ENTITLEMENT DATE

11
OCTOBER 2016

PAYMENT DATE

1
NOVEMBER 2016

TWENTY-SIXTH Annual General Meeting

NOTICE DATE

29
JULY 2016

MEETING DATE

29
SEPTEMBER 2016

CORPORATE INFORMATION

as at 30 June 2016

BOARD OF DIRECTORS

Brigadier General (K) Tan Sri Dato' Sri (Dr) Haji Mohd Khamil bin Jamil
Chairman
Non-Independent Non-Executive Director

Dato' Sri Syed Faisal Albar bin Syed A.R. Albar
Group Managing Director

Tan Sri Marzuki bin Mohd Noor
Senior Independent Non-Executive Director

Dato' Ibrahim bin Taib
Non-Independent Non-Executive Director

Dato' Siti Fatimah binti Daud
Non-Independent Non-Executive Director

Datuk Haji Abdul Rahman bin Mohd Ramli
Independent Non-Executive Director
(To retire upon conclusion of the 26th AGM on 29 September 2016)

Ong le Cheong
Independent Non-Executive Director

Datuk Ooi Teik Huat
Independent Non-Executive Director

Dato' Abdul Rahman bin Ahmad
Independent Non-Executive Director

AUDIT COMMITTEE

Chairman
Datuk Haji Abdul Rahman bin Mohd Ramli

Members
Tan Sri Marzuki bin Mohd Noor
Ong le Cheong
Datuk Ooi Teik Huat

NOMINATION AND REMUNERATION COMMITTEE

Chairman
Brigadier General (K) Tan Sri Dato' Sri (Dr) Haji Mohd Khamil bin Jamil

Members
Tan Sri Marzuki bin Mohd Noor
Ong le Cheong

BOARD RISK AND SUSTAINABILITY COMMITTEE

Chairman
Tan Sri Marzuki bin Mohd Noor

Members
Datuk Haji Abdul Rahman bin Mohd Ramli
Datuk Ooi Teik Huat

COMPANY SECRETARY

Dato' Carol Chan Choy Lin (MIA 3930)
Tel : (03) 2052 7695
Fax : (03) 2052 7696
E-mail : ccclin@drb-hicom.com

COMPANY WEBSITE

www.drb-hicom.com

REGISTERED OFFICE

Level 5, Wisma DRB-HICOM
No. 2, Jalan Usahawan U1/8
Seksyen U1
40150 Shah Alam
Selangor Darul Ehsan
Malaysia
Tel : (03) 2052 8000
Fax : (03) 2052 8099

INTERNAL AUDIT

Abdul Jamil bin Johari
Head, Group Internal Audit
Tel : (03) 2052 8962
Fax : (03) 2052 8959
E-mail : jamil@drb-hicom.com

INVESTOR RELATIONS

Norli binti Dollah
Manager, Investor Relations
Tel : (03) 2052 8194/8942
Fax : (03) 2052 8228
E-mail : invest@drb-hicom.com

SHARE REGISTRAR

Symphony Share Registrars Sdn. Bhd.
(Company No: 378993-D)
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Tel : (03) 7849 0777
Fax : (03) 7841 8151/52
E-mail : ssr.helpdesk@symphony.com.my

AUDITORS

Ernst & Young (AF 0039)
Chartered Accountants
Level 23A, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur
Malaysia
Tel : (03) 7495 8000
Fax : (03) 2095 5332

PRINCIPAL BANKERS

Bank Muamalat Malaysia Berhad
Malayan Banking Berhad
RHB Bank Berhad
CIMB Bank Berhad
AmBank (M) Berhad

PRINCIPAL SOLICITORS

Naqiz & Partners
Hisham, Sobri & Kadir
Kadir Andri & Partners
Lee Hishammuddin Allen & Gledhill

STOCK EXCHANGE LISTING

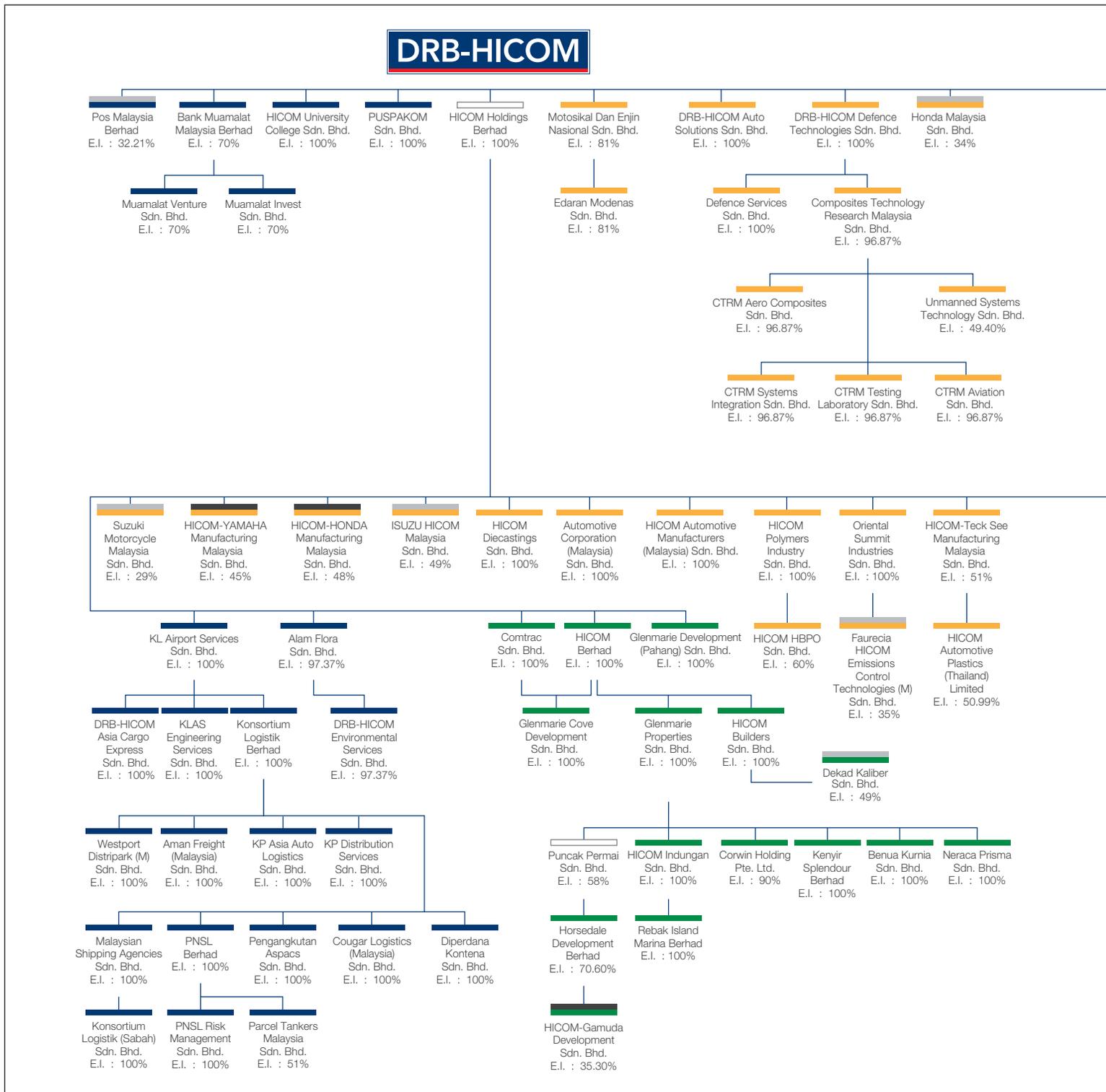
Listed on Main Market of
Bursa Malaysia Securities Berhad
Listing Date : 4 September 1992
Stock Name : DRBHCAM
Stock Code : 1619

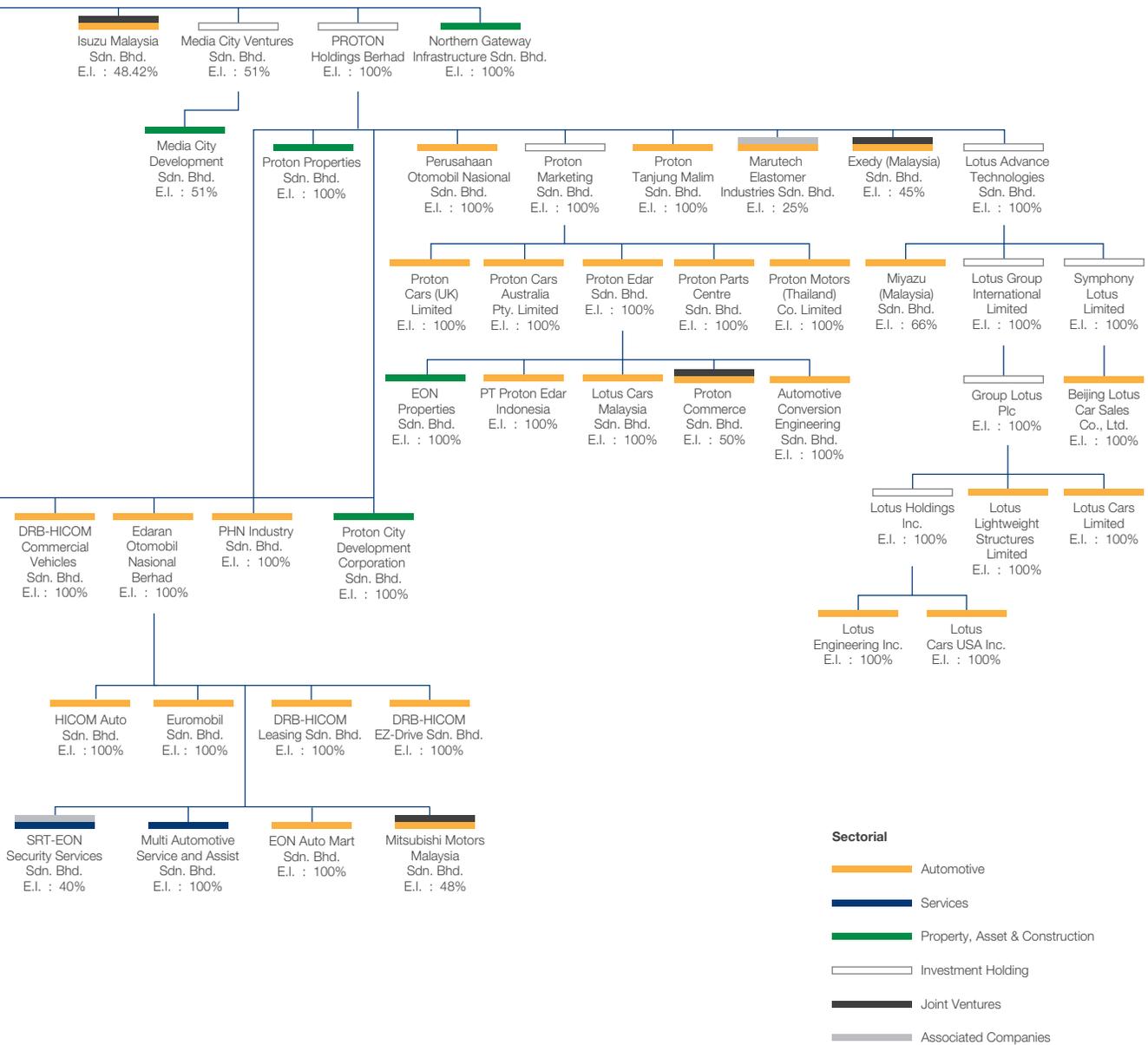
AGM HELPDESK

Tel : (03) 2052 8936/7695

GROUP CORPORATE STRUCTURE

(operating companies) as at 31 March 2016





Sectorial

- Automotive
- Services
- Property, Asset & Construction
- Investment Holding
- Joint Ventures
- Associated Companies

Note :
E.I. DRB-HICOM Group's Effective Interest

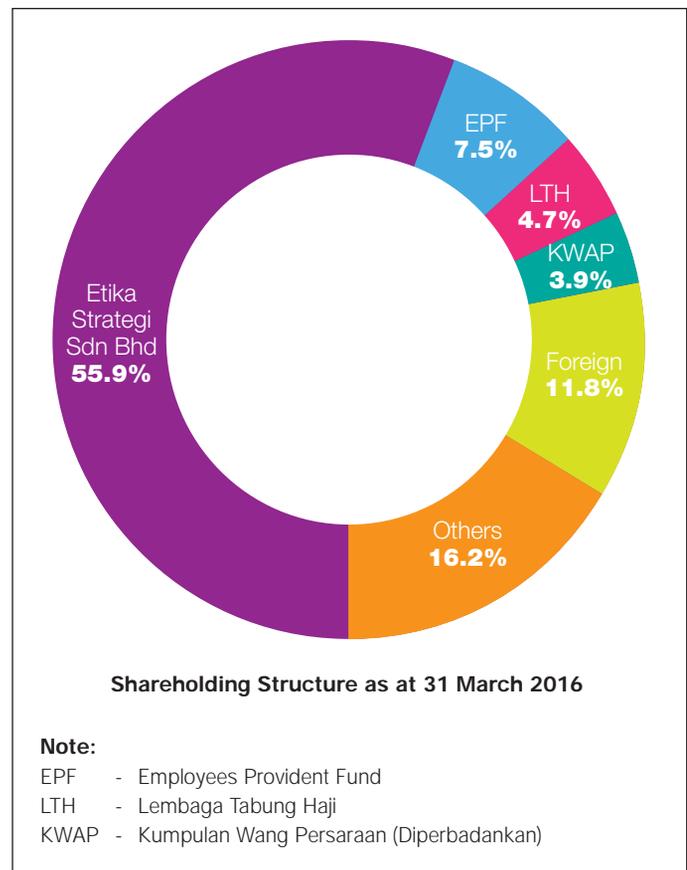
INVESTOR RELATIONS

FY2015/2016 was an unprecedented year of challenging global economic headwinds and slower growth. Currency volatility, heightened competition, increased costs and sluggish consumer sentiment had undoubtedly impacted our businesses during the year. While we focus on our efforts to tighten the belt and overcome these inevitable challenges, continuous engagement with the investment community is vital to keep our shareholders informed of the business strategies, challenges and trajectory going forward.

As part of DRB-HICOM's commitment to maintain its ongoing engagement with the investment community via its Investor Relations (IR) Department, active involvement of Senior Management is assured to warrant all information on the Group is appropriate and timely.

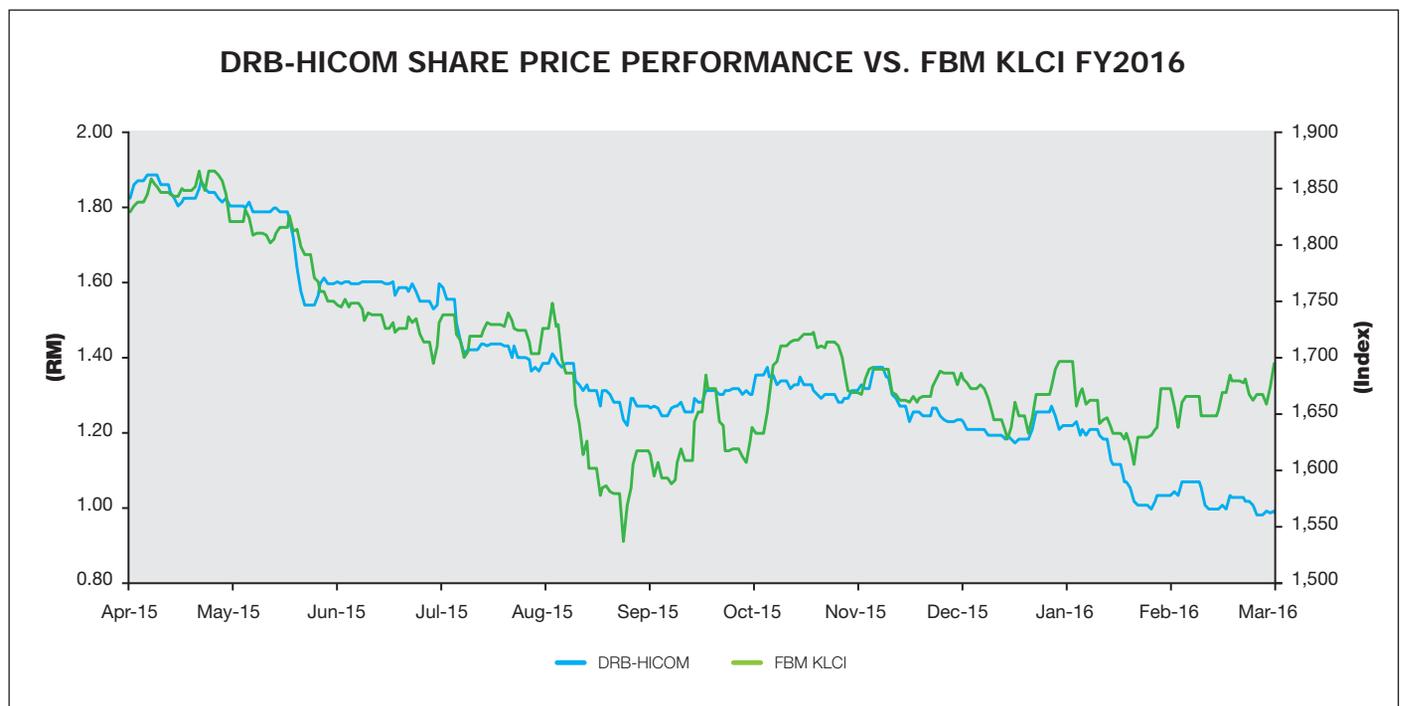
SHAREHOLDER BASE

DRB-HICOM has a broad and varied shareholder base. As at 31 March 2016, DRB-HICOM had a total of 39,338 shareholders which included government agencies, corporate, institutional and private/retail shareholders. DRB-HICOM's substantial shareholders are Etika Strategi Sdn Bhd and the Employees Provident Fund with 55.9% and 7.5% interest respectively. Foreign shareholding on the other hand, stood at 11.8%.

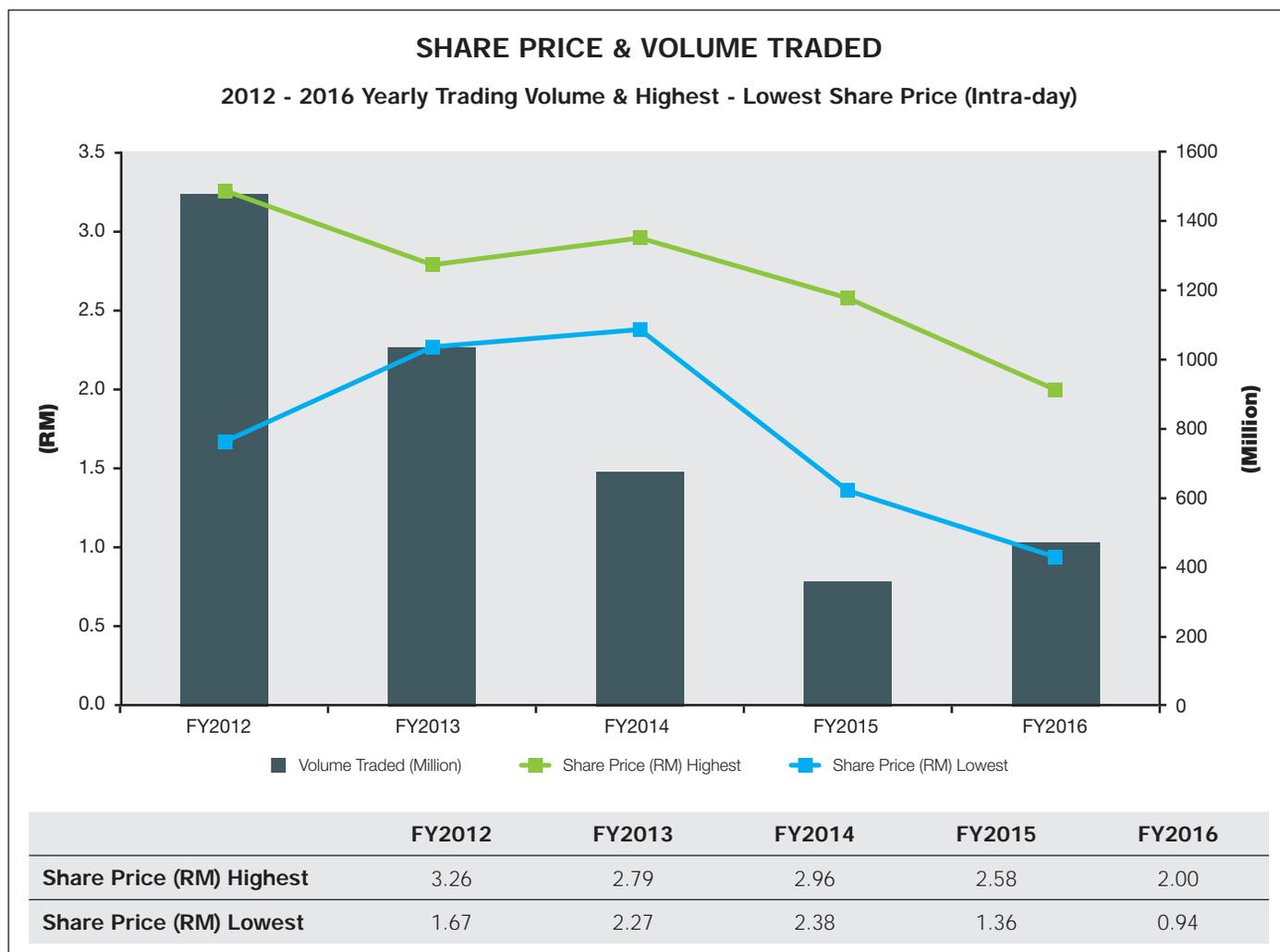


SHARE PERFORMANCE

During the year under review covering 1 April 2015 to 31 March 2016, DRB-HICOM's share price had been within a tight range of RM0.94 to RM2.00. Following a weaker overall industry outlook, the share price declined in tandem with movements of the FBM KLCI. The share price was closed at RM1.02 on 31 March 2016. A total turnover of **RM619.0 million** with **474.3 million** shares were traded in FY2015/2016 as compared to a total turnover of **RM745.3 million** with **359.9 million** shares traded in FY2014/2015.



INVESTOR RELATIONS



INVESTOR ENGAGEMENT

Various IR efforts made to ensure continuous engagements with the investment community include:-

Investor Meetings

Regular engagement sessions were held to provide updates on the Group's quarterly financial performance, corporate updates as well as strategic development updates as the year progressed. There were increasing demands for investor meetings seeking clarity on the Group's performance and

business updates. The Group engaged with more than 150 analysts, fund managers, institutional shareholders, and existing and potential investors through one-on-one or group meetings, non-deal roadshows and teleconferences.

Plant Visits

Several plant visits were conducted covering our three key sectors which include the HICOM Automotive Plant in Pekan, Pahang which houses Mercedes-Benz and Volkswagen assembly plants, DRB-HICOM Auto Solutions Sdn Bhd (DHAS), DRB-HICOM Defence Technologies Sdn Bhd

(DEFTECH) and DRB-HICOM University of Automotive Malaysia (DHU), the PROTON Manufacturing Plant in Tanjung Malim, Perak and the Composites Technology Research Malaysia (CTRM) Plant in Melaka. Site visits were also made to property development projects within the Glenmarie areas and Pos Malaysia Berhad. These visits were to provide better understanding of our multifaceted businesses, facilities and their growth potential.

Quarterly Financial Announcement

Investor friendly financial performance deck is being made available on the Group's website following the disclosure made to Bursa Malaysia. Tabulated below are the scheduled quarterly results for the year under review:-

Events	Date
First Quarter FY2015/2016	27-Aug-15
Second Quarter FY2015/2016	26-Nov-15
Third Quarter FY2015/2016	25-Feb-16
Fourth Quarter FY2015/2016	31-May-16

Annual General Meeting

The Annual General Meeting (AGM) is another engagement platform between the Board of Directors, Senior Management and shareholders. During the AGM, the shareholders were given the opportunity to raise questions to the Board of Directors and Senior Management on business-related issues. The results of all resolutions were presented to the audience and the outcome of the AGM is announced on the same day via Bursa Malaysia.

IR Webpage

In line with the Group's diligent efforts to promote accessibility and up-to-date information to all market-wide participants, the Group's website posts latest quarterly financial results

performance, other announcements and disclosures made pursuant to Bursa Malaysia requirements, annual reports, press releases and historical corporate and financial information that had been made public. The information is available at www.drb-hicom.com.

RETURN TO SHAREHOLDERS

We reiterate our dividend commitment through the dividend policy statement as follows:-

Dividend Policy

"It is the Group's intention to create value for shareholders through a sustainable dividend policy. In line with this, the Board acknowledges the importance of rewarding shareholders with a stable dividend and to sustainably grow dividend over time.

Considering the Group is currently undertaking major investments, the dividend payout target will be between 20% and 30% of the operational net profit. The dividend policy shall be reviewed by the Board periodically. In determining the annual dividend level, the Board will take into consideration the availability of cash, retained earnings, operating cash flow requirements, business prospect, future capital expenditure, investment plan and financing requirements. The Board will ensure a good balance sheet management with gearing kept at manageable level."

CAPITAL MARKET FEEDBACK

DRB-HICOM recognises that feedback from the investment community is crucial to meeting information needs and improving relationships. As such, any constructive feedback and ideas can be directed to the Investor Relations Department at invest@drb-hicom.com.

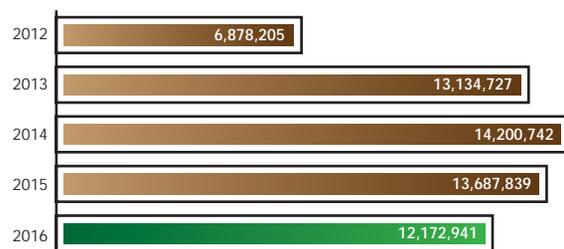
GROUP 5 YEARS FINANCIAL HIGHLIGHTS

	2016 RM'000	2015 RM'000	2014 RM'000	2013 RM'000	2012 RM'000
Operating Revenue	12,172,941	13,687,839	14,200,742	13,134,727	6,878,205
(Loss)/Profit Before Taxation	(821,267)	501,834	801,741	1,037,367	1,821,399
Basic and Diluted (Loss)/Earnings Per Share (sen)	(51.31)	15.53	23.91	29.76	82.60
Dividend Per Share ^ (sen)	2.00	6.00	6.00	6.00	6.00
Total Assets	42,042,349	42,359,330	39,753,022	42,130,493	40,290,425
Total Equity	8,503,289	9,352,075	8,511,548	8,322,280	7,768,970
Net Assets Per Share * (RM)	3.38	3.92	3.78	3.66	3.39
Total Borrowings	6,864,745	6,909,731	7,127,063	6,462,506	5,345,545
Gross Gearing Ratio (Times)	0.81	0.74	0.84	0.78	0.69

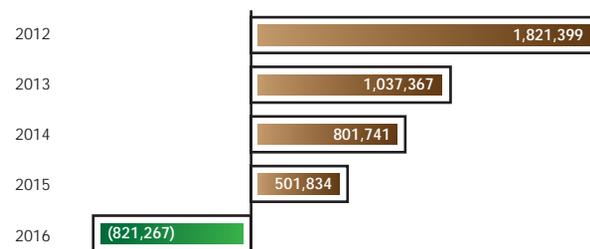
^ Dividend per share (gross) consist of interim and final dividend declared and proposed for the designated financial year.

* Based on 1,933,237,051 ordinary shares in issue.

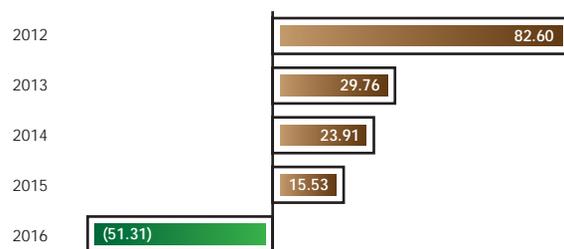
Operating Revenue (RM'000)



(Loss)/Profit Before Taxation (RM'000)



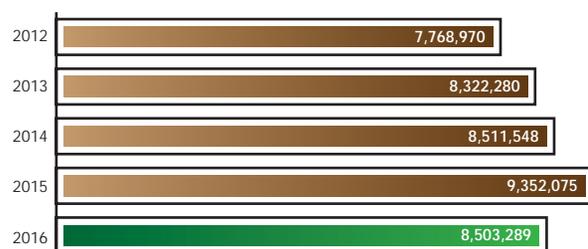
Basic and Diluted (Loss)/Earnings Per Share (sen)



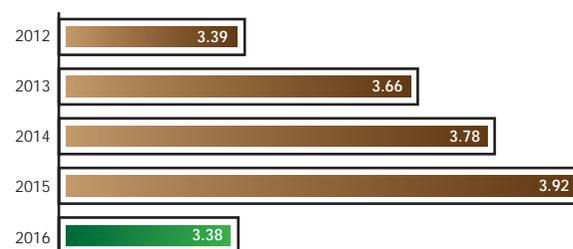
Total Assets (RM'000)



Total Equity (RM'000)



Net Assets Per Share (RM)



Gross Gearing Ratio (Times)



BOARD OF DIRECTORS' PROFILE

Brigadier General (K) Tan Sri Dato' Sri (Dr) Haji Mohd Khamil bin Jamil

Chairman/Non-Independent Non-Executive Director
Chairman of Nomination and Remuneration Committee

Date of Appointment	19 July 2005 (Director) 1 March 2006 (Group Managing Director) 1 March 2016 (Chairman)
Date of Last Re-election	19 September 2013
Nationality/Age	Malaysian/60 years



Brig. Gen. (K) Tan Sri Dato' Sri (Dr) Haji Mohd Khamil bin Jamil holds a Bachelor of Laws (Honours) from the University of London and was conferred an Honorary Doctorate in Mechanical Engineering by Universiti Pertahanan Nasional Malaysia in October 2015. He is a Barrister-at-Law at Gray's Inn, England, and was called to the English Bar in 1983.

He began his executive career at Bank Bumiputra Malaysia Berhad in August 1980, where he served until December 1989. He was called to the Malaysian Bar in September 1990, following which he became a practising partner of several legal firms before venturing into business in 2001.

He is an Honorary Brigadier General of the Malaysian Territorial Army and a Chartered Fellow of the Chartered Institute of Logistics and Transport, United Kingdom. He was also awarded the Justice of Peace by His Excellency Yang Di-Pertua Negeri Melaka in 2012.

His current directorships in companies within the DRB-HICOM Berhad Group include being the Chairman of Pos Malaysia Berhad, HICOM University College Sdn. Bhd., DRB-HICOM Defence Technologies Sdn. Bhd., Composites Technology Research Malaysia Sdn. Bhd., HICOM Holdings Berhad and HICOM Berhad.

Brig. Gen. (K) Tan Sri Dato' Sri (Dr) Haji Mohd Khamil is a Director of Etika Strategi Sdn. Bhd., the holding company of DRB-HICOM Berhad, in which he has a 10% shareholding.

Brig. Gen. (K) Tan Sri Dato' Sri (Dr) Haji Mohd Khamil does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has had no convictions for offences within the past ten (10) years.

Brig. Gen. (K) Tan Sri Dato' Sri (Dr) Haji Mohd Khamil attended seven (7) out of eight (8) Board meetings of the Company held in the financial year ended 31 March 2016.

Dato' Sri Syed Faisal Albar bin Syed A.R. Albar

Group Managing Director

Date of Appointment	4 January 2016 (Group Chief Executive Officer)
	1 March 2016 (Group Managing Director)
Nationality/Age	Malaysian/51 years

Dato' Sri Syed Faisal Albar bin Syed A.R. Albar is a member of the Malaysian Institute of Certified Public Accountants ("MICPA") and American Institute of Certified Public Accountants ("AICPA"). He holds a Bachelor of Arts (Accountancy) from Barat College of DePaul University, Lake Forest, USA and AICPA Professional Certification from University of Illinois, Urbana Champaign, USA. He was a Council Member of MICPA from 2010 to 2013.

He started his career with PricewaterhouseCoopers Kuala Lumpur in 1991 and served Pricewaterhouse, San Francisco, California in 1995 before returning to Kuala Lumpur in 1997. He joined The New Straits Times Press (Malaysia) Berhad ("NSTP") in May 2000 as its Chief Financial Officer and was subsequently appointed as the Chief Executive Officer of NSTP in 2003, a position which he held until October 2008. Thereafter, he was appointed as the Group Managing Director ("GMD") of Pos Malaysia Berhad from 2008 to 2011. He was the Executive Director of Konsortium Logistik Berhad ("KLB") from June to December 2013 and remains as a Non-Executive Director of KLB.

Prior to joining Malakoff Corporation Berhad as Chief Executive Officer from July 2014 to December 2015, he was the Chief Executive Officer of Gas Malaysia Berhad from January 2014.



He served on various Boards in a non-executive capacity from 2010 to 2014, namely in Malaysia Airports Holdings Berhad, Hong Leong Bank Berhad, Kwasa Land Sdn. Bhd. and Yayasan Kelana Ehsan.

His current directorships in companies within the DRB-HICOM Berhad Group include being the Chairman of Proton Holdings Berhad and KLB as well as Director of Pos Malaysia Berhad, Edaran Otomobil Nasional Berhad, HICOM Holdings Berhad, HICOM Berhad, Horsedale Development Berhad, Rebak Island Marina Berhad and several private limited companies.

Dato' Sri Syed Faisal Albar does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has had no convictions for offences within the past ten (10) years.

During the financial year ended 31 March 2016, Dato' Sri Syed Faisal Albar attended all two (2) Board meetings held subsequent to his appointment as the GMD of the Company on 1 March 2016.

BOARD OF DIRECTORS' PROFILE

Tan Sri Marzuki bin Mohd Noor

Senior Independent Non-Executive Director
 Chairman of Board Risk and Sustainability Committee
 Member of Audit Committee
 Member of Nomination and Remuneration Committee

Date of Appointment 28 November 2006

Date of Last Re-election 19 September 2013

Nationality/Age Malaysian/68 years



Tan Sri Marzuki bin Mohd Noor holds a Bachelor of Arts (Honours) Degree from the University of Malaya.

Tan Sri Marzuki started his career in the Administrative and Diplomatic Service of Malaysia in 1972 and retired in August 2006. From 1972 to 1988, he served as Second/First Secretary at the Embassy of Malaysia in Rome and in Baghdad; Assistant High Commissioner in Chennai, India; Commissioner in Hong Kong; and later as Minister-Counsellor in Brussels, Belgium.

In 1990, Tan Sri Marzuki was appointed Deputy Director General ASEAN I, Ministry of Foreign Affairs Malaysia and later in 1992, as Ambassador of Malaysia to Argentina with concurrent accreditation to Paraguay and Uruguay. In 1996, he was appointed High Commissioner of Malaysia to India (concurrently accredited as Ambassador to Nepal). Prior to his retirement, he was the Ambassador of Malaysia to Japan from 1999 to July 2006.

His current directorships in companies within the DRB-HICOM Berhad Group include being the Chairman of Edaran Otomobil Nasional Berhad, Mitsubishi Motors Malaysia Sdn. Bhd. and Suzuki Malaysia Automobile Sdn. Bhd. as well as Director of Horsedale Development Berhad and HICOM Holdings Berhad.

Tan Sri Marzuki does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has had no convictions for offences within the past ten (10) years.

Tan Sri Marzuki attended all eight (8) Board meetings of the Company held in the financial year ended 31 March 2016.

Dato' Ibrahim bin Taib

Non-Independent Non-Executive Director

Date of Appointment	18 March 2004
Date of Last Re-election	30 September 2014
Nationality/Age	Malaysian/62 years



Dato' Ibrahim bin Taib holds a Bachelor of Laws (Honours) Degree from the University of Malaya and a Master of Laws from the University of London.

Dato' Ibrahim started his career in the Malaysian judicial service in 1978 as a Magistrate in the Magistrate Court, Jalan Duta, Kuala Lumpur. Thereafter, he was transferred to the Magistrate Court in Segamat, Johor. In 1982, he became a Legal Advisor with the Road Transport Department; and continued in the same role in the Ministry of Human Resources in 1986.

In October 1989, he was attached to the Attorney-General's Chambers as a Deputy Public Prosecutor for Selangor. In 1992,

he served as a Judge in the Sessions Court, Kota Bharu. In July 1992, he was posted to the Employees Provident Fund ("EPF"). He retired as the Deputy Chief Executive Officer (Operations) of EPF on 4 October 2014 but remains as the nominee Director of EPF in DRB-HICOM Berhad.

Dato' Ibrahim does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has had no convictions for offences within the past ten (10) years.

Dato' Ibrahim attended all eight (8) Board meetings of the Company held in the financial year ended 31 March 2016.

BOARD OF DIRECTORS' PROFILE

Dato' Siti Fatimah binti Daud

Non-Independent Non-Executive Director

Date of Appointment 1 April 2016

Nationality/Age Malaysian/56 years



Dato' Siti Fatimah binti Daud holds a Bachelor of Arts (Honours) Degree from the University of Malaya. She is currently the Under Secretary, Remuneration Policy and Management Division, Ministry of Finance. Dato' Siti Fatimah started her career in the Civil Service in 1983 and has served in various positions with the Ministry of Health, Ministry of Education and Ministry of Finance.

She is a Non-Independent Non-Executive Director nominated by the Minister of Finance Incorporated. She also sits on the Board of HICOM Holdings Berhad.

Dato' Siti Fatimah does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. She has had no convictions for offences within the past ten (10) years.

Dato' Siti Fatimah was appointed to the Board of DRB-HICOM Berhad on 1 April 2016. Accordingly, she did not attend any Board meetings of the Company held in the financial year ended 31 March 2016.

Datuk Haji Abdul Rahman bin Mohd Ramli

Independent Non-Executive Director
Chairman of Audit Committee
Member of Board Risk and Sustainability Committee

Date of Appointment	28 October 2005
Date of Last Re-appointment	9 September 2015
Nationality/Age	Malaysian/77 years



Datuk Haji Abdul Rahman bin Mohd Ramli is a member of the Institute of Chartered Accountants in Australia, the Malaysian Institute of Certified Public Accountants and the Malaysian Institute of Accountants.

Datuk Haji Abdul Rahman was General Manager of United Asian Bank Berhad, Group Managing Director of Pernas Sime Darby Sdn. Bhd., Group Chief Executive of Golden Hope Plantations Berhad and Chairman of Johore Tenggara Oil Palm Berhad prior to joining the Board of DRB-HICOM Berhad.

His current directorships in companies within the DRB-HICOM Berhad Group include being the Chairman of Horsedale Development Berhad, PUSPAKOM Sdn. Bhd. and Isuzu Malaysia

Sdn. Bhd. as well as Director of several private limited companies in the Group. He sat on the Board of Kuala Lumpur-Kepong Berhad until his resignation on 26 February 2013. He was an Independent Member of the Investment Committee of Felda Global Ventures Holdings Sdn. Bhd. from 5 August 2010 to 31 December 2012.

Datuk Haji Abdul Rahman does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has had no convictions for offences within the past ten (10) years.

Datuk Haji Abdul Rahman attended all eight (8) Board meetings of the Company held in the financial year ended 31 March 2016.

BOARD OF DIRECTORS' PROFILE

Ong Ie Cheong

Independent Non-Executive Director
Member of Audit Committee
Member of Nomination and Remuneration Committee

Date of Appointment 28 October 2005

Date of Last Re-appointment 9 September 2015

Nationality/Age Malaysian/75 years



Mr. Ong Ie Cheong holds a Bachelor of Science Degree from the University of Malaya. He was the Executive Chairman of PPB Group Berhad, Managing Director of Central Sugars Refinery Sdn. Bhd. and a Board member of PPB Oil Palms Berhad and Tradewinds (M) Berhad prior to joining the Board of DRB-HICOM Berhad.

His current directorships in companies within the DRB-HICOM Berhad Group include being the Chairman of KL Airport Services Sdn. Bhd., HICOM-Teck See Manufacturing Malaysia Sdn. Bhd., Proton City Development Corporation Sdn. Bhd.,

HICOM Polymers Sdn. Bhd. and HICOM HBPO Sdn. Bhd., and Director of HICOM Holdings Berhad, HICOM Berhad and several private limited companies in the Group.

Mr. Ong does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has had no convictions for offences within the past ten (10) years.

Mr. Ong attended all eight (8) Board meetings of the Company held in the financial year ended 31 March 2016.

Datuk Ooi Teik Huat

Independent Non-Executive Director
Member of Audit Committee
Member of Board Risk and Sustainability Committee

Date of Appointment	1 November 2008
Date of Last Re-election	9 September 2015
Nationality/Age	Malaysian/56 years



Datuk Ooi Teik Huat is a member of the Malaysian Institute of Accountants and CPA Australia. He holds a Bachelor of Economics Degree from Monash University, Australia.

He started his career with Messrs Hew & Co, Chartered Accountants, before joining Malaysian International Merchant Bankers Berhad. He subsequently joined Pengkalen Securities Sdn. Bhd. as Head of Corporate Finance, before leaving to set up Meridian Solutions Sdn. Bhd. where he is presently a Director.

Datuk Ooi also sits on the Boards of Tradewinds Plantation Berhad, Tradewinds (M) Berhad, Tradewinds Corporation Berhad, MMC

Corporation Berhad, Zelan Berhad, Johor Port Berhad, Malakoff Corporation Berhad, Gas Malaysia Berhad, Padiberas Nasional Berhad, Mardec Berhad and several private limited companies.

Datuk Ooi does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has had no convictions for offences within the past ten (10) years.

Datuk Ooi attended all eight (8) Board meetings of the Company held in the financial year ended 31 March 2016.

BOARD OF DIRECTORS' PROFILE

Dato' Abdul Rahman bin Ahmad

Independent Non-Executive Director

Date of Appointment 16 May 2016

Nationality/Age Malaysian/47 years



Dato' Abdul Rahman bin Ahmad is currently the Non-Executive Chairman of ILMU Education Group Sdn. Bhd., a leading integrated education group in Malaysia.

He was formerly the Chief Executive Officer of Ekuiti Nasional Berhad ("Ekuinas"), a government-linked private equity firm. Prior to joining Ekuinas, he was the Group Managing Director/Chief Executive Officer of Media Prima Berhad and also held the post of Group Managing Director/Chief Executive Officer of Malaysian Resources Corporation Berhad.

He began his career at Arthur Andersen, London and later served as Special Assistant to the Executive Chairman of Trenergy (M) Berhad/Turnaround Managers Inc (M) Sdn. Bhd.. He subsequently joined Pengurusan Danaharta Nasional Berhad, the country's national asset management company and went on to become an Executive Director of SSR Associates Sdn. Bhd., a boutique corporate finance consulting firm.

He also sits on the Boards of Icon Offshore Berhad, Axiata Group Berhad, RHB Bank Berhad, RHB Investment Bank Berhad, Astro Malaysia Holdings Berhad and M+S Pte Ltd, a joint venture company of Khazanah Nasional Berhad and Temasek Holdings (Private) Limited.

Dato' Abdul Rahman holds a Master in Economics from the University of Cambridge, United Kingdom and is a member of the Institute of Chartered Accountants, England and Wales.

Dato' Abdul Rahman does not have any family relationship with any Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has had no convictions for offences within the past ten (10) years.

Dato' Abdul Rahman was appointed to the Board of DRB-HICOM Berhad on 16 May 2016. Accordingly, he did not attend any Board meetings of the Company held in the financial year ended 31 March 2016.

BOARD OF MANAGEMENT



seated from left to right

Dato' Sri Syed Faisal Albar bin Syed A.R. Albar
Group Managing Director

Dato' Carol Chan Choy Lin
Group Director, Corporate Affairs/Company Secretary

standing from left to right

Datuk Mohamed Razeek bin Md Hussain
Chief Operating Officer, Services & Properties

Dato' Abdul Harith bin Abdullah
Chief Operating Officer, Automotive Distribution,
Defence & Manufacturing

MANAGEMENT TEAM





- 1 **Dato' Sri Syed Faisal Albar bin Syed A.R. Albar**
Group Managing Director
- 2 **Datuk Mohamed Razeek bin Md Hussain**
Chief Operating Officer, Services & Properties
- 3 **Dato' Abdul Harith bin Abdullah**
Chief Operating Officer, Automotive Distribution,
Defence & Manufacturing
- 4 **Dato' Carol Chan Choy Lin**
Group Director, Corporate Affairs/Company Secretary
- 5 **Dato' Khalid bin Abdol Rahman**
Group Director, Corporate Planning
& Business Development
- 6 **Dato' Mohamed Hazlan bin Mohamed Hussain**
Group Director, Education
- 7 **Amalanathan Thomas**
Group Director, Financial Services
- 8 **Aminah binti Othman**
Group Director, Treasury
- 9 **Shaik Abbas bin Shaik Ibrahim**
Head, Group Communications
- 10 **Abdul Jamil bin Johari**
Head, Group Internal Audit
- 11 **Cheah Chee Kong**
Head, Risk Management
- 12 **Mimi Aisyah Chye binti Abdullah**
Head, Corporate Planning
- 13 **Simon Cham Kim Fatt**
Head, Group Information Technology
- 14 **Muhammad Rizal Md Zain**
Head, Group Human Capital
- 15 **Ainol Azmil bin Abu Bakar**
Acting Head, Manufacturing & Engineering
- 16 **Norkiah binti Othman**
Head, Group Procurement

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors ("Board") and Management of DRB-HICOM Berhad ("DRB-HICOM" or "the Company") are committed to ensuring that the highest standards of corporate governance are practised throughout the Company and its subsidiaries ("Group") as a fundamental part of its responsibilities in managing the business and affairs of the Group, protecting and enhancing stakeholders' values and financial performance while promoting the highest standards of integrity, transparency and accountability. The Company abides strictly by the governing laws and regulations of the jurisdictions where it operates and observes the applicable guidelines and rules issued by the relevant regulatory authorities.

The Company has adopted and complied with the Malaysian Code on Corporate Governance 2012 ("MCCG 2012"), by observing the specific principles and recommendations on structures and process which companies should adopt in making good corporate governance an integral part of their business dealings.

The Board is pleased to present this statement which set out the manner in which the Company has applied the principles and recommendations as set out in the MCCG 2012 and the extent of its compliance with the principles, during the financial year ended 31 March 2016.

1. BOARD OF DIRECTORS

1.1 Duties and Responsibilities of the Board

The Board has the following six (6) specific responsibilities, which facilitate the discharge of the Board's responsibilities in the best interest of the Company:

i. Adopting and reviewing the strategic plan for the Company

The Board has the overall responsibility in leading and determining the Group's overall strategic direction as well as development and control of the Group without neglecting the shareholders' interest. The strategic plan of the Group includes oversight of risks, strategies, marketing and financial aspects of the business.

The Board approves and adopts the Group's Annual Management Plan ("AMP") including the overall strategic direction on a yearly basis and for the ensuing year. During Board meetings, the Board discussed the strategy implementation processes and identified both internal and external factors which impacted the achievements of the Company as well as future challenges in achieving the AMP.

The process also includes the Board reviewing and approving the corporate key performance indicators ("KPIs") which are used by the Board for tracking the Company's performance against the targets. These would ensure the financial performance and the business of the Company are properly managed and the shareholders' values are safeguarded.

To ensure the achievement of the Group's overall strategic direction and the AMP, yearly KPIs have been formulated for the Group Managing Director ("GMD") and these KPIs are cascaded down to the leadership team and other Management team members at Corporate Office as well as the Chief Executive Officers/Chief Operating Officers of the subsidiary companies.

The Board recognises the importance of business sustainability in conducting the Group's business taking into account the impact on our main stakeholders namely; customers, shareholders, employees, business partners, society and the environment at large. Details of the sustainability activities are disclosed in the report on 'Corporate Responsibility' contained in this Annual Report.

The Board also reviews the sustainability of the strategic direction to ensure the Group achieves the targets in line with the fast changing business landscape. In addition, the Board reviews the Company's funding requirements and treasury matters on a continuing basis including approval of financial arrangements.

The AMP of the Group and the Company for the financial year ended 31 March 2016 ("AMP 2016") was approved by the Board during the Board meeting held on 26 March 2015. The Group adopted a structured approach in the preparation of the AMP for the companies in the Group with guidance and consultation from the Corporate Office. The AMPs prepared by the operating companies were reviewed and challenged by the representatives from the Corporate Office during the Challenge meetings before they were finalised and presented to the Board of the Company and the Board of the respective Group companies for consideration and approval. During the presentation of the AMP 2016 at the Board meeting, the Board discussed the economic landscape and the possible impact on the Group's future performance, the business plan,

the projections in the AMP, the key challenges and issues faced by the Group, the proposed changes to the Group Corporate Structure and the proposed restructuring activities for the subsidiaries as well as the strategies to be implemented to improve the performance of the non-performing companies in the Group.

The AMP of the Group and the Company for the financial year ending 31 March 2017 was approved by the Board at the Board meeting held on 30 March 2016.

ii. Overseeing the conduct of the Company's business to evaluate whether the business is being properly managed and sustained

The Board provides entrepreneurial leadership and specifies the parameters within which Management decisions are to be made. High integrity practice is adopted by all the Board members to avoid improper use of information, conflict of interest, secret profit, contract with the Company and any other corrupt activities.

In discharging its responsibilities, the Board has established the appropriate internal control systems to support, promote and ensure compliance with the laws and regulations governing the Company. This includes taking into account the Company's continuing viability as an enterprise, its financial position, its cognisance of risks and mitigating factors as well as values which embrace ethical conduct and creation of sustainable value.

To ensure an optimum structure for efficient decision-making, the Boards of the Group, approved a framework on Limits of Authority ("LOA") to reflect the flows of authority and functions of the GMD and Management. The LOA defines the type and limits of authority designated to specified positions of responsibility. It also specifies a formal schedule of matters reserved for the Board's deliberation and approval. The LOA is reviewed as and when required according to the circumstances and operational requirements of the Group.

At Board meetings of the Company, the GMD presents detailed progress reports on the operations of the Group by sectors/companies,

financial performance for the period, updates on the key strategic activities, key corporate exercises, significant events of the Group and achievements of the Company compared to the AMP and the corresponding period last year.

The Board retains full and effective control of the Group by reviewing the Management's performance against the AMP periodically and ensures that the necessary financial and human resources are available to meet the Group's objectives.

Among the key matters reserved for approval by the Board are the strategies and AMP, quarterly financial results, audited financial statements, investment activities, funding arrangements, significant expenditures, significant acquisitions and disposals, setting up of individual business unit, appointment of Directors/Board Committee members, remuneration for GMD (excluding fees), declaration of dividends, related party transactions, major restructuring and reorganisation, significant business decision to be carried out by the Group and other relevant matters affecting the Group's operations and business.

The Board meets at least once every quarter and as and when required to discuss on the businesses conducted by the Group. During the Board meetings held in the financial year under review, the Directors discussed the matters arising from the minutes of the previous Board meeting until the matters were duly resolved, the strategy implementation by the Management, the Quarterly Financial Results and Progress Report of the Group, the business operations and developments plan of the Group, the reports of the various Board Committees as well as the effectiveness of the Board and Board Committees.

In addition, the Board also reviewed the detailed report from Bursa Malaysia Securities Berhad ("Bursa Malaysia") on the quality of the corporate governance disclosures in the Company's Annual Reports for the financial years 2013 and 2014 and discussed the proposed enhancements to the corporate governance statement of the Company, moving forward.

STATEMENT ON CORPORATE GOVERNANCE

The Directors had actively participated in the Board meetings of the Company by asking pertinent questions as well as providing ideas and suggestions to the proposals presented by the Management.

iii. Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks

The Board is responsible for reviewing principal risks, establishing appropriate controls and action items to ensure that the obligations to the shareholders and other stakeholders are met.

The review is conducted by the Board Risk Committee ("BRC"), which is supported by the Group Risk Management Committee ("Group RMC") headed by the GMD.

The Board through the BRC oversees the risk management activities and process of the Group. The BRC also oversees the formulation of relevant risk management policies and risk measurement parameters across the Group and makes the appropriate recommendations to the Board for its approval. The BRC is responsible for ensuring that the risk management framework in the Group operates effectively based on the policies approved by the Board.

The Group RMC reviews and presents the identified risks to the BRC on a quarterly basis prior to submission to the Board. Salient features of the risk management methodologies are disclosed in the report on 'Risk Management' contained in this Annual Report.

On quarterly basis, the Board reviewed and discussed the report on Enterprise Risk Management presented by the Chairman of the BRC which encompassed the Group Risk Report, Top 20 Key Risks and Concerns of the Group and matters arising thereon as well as the recommendations by the BRC.

The Board at its meeting held on 26 May 2016 renamed the BRC to Board Risk and Sustainability Committee ("BRSC") to reflect the additional oversight function on sustainability risks and to ensure that sustainability is intergrated within key business strategies towards the collective achievement of sustainability goals across the organisation with the terms of reference of BRSC amended accordingly.

iv. Succession planning, including appointing, training, fixing the remuneration and where appropriate, replacing Senior Management of the Company

In determining the succession planning for Board members, the Board is guided by the recommendations of the MCGG 2012 and the Main Market Listing Requirements of Bursa Malaysia ("MMLR") which stipulates that each Director should have the character, experience, integrity, competence and time to effectively discharge his/her role as a Director, taking into account the future needs and way forward for the Company.

The Nomination and Remuneration Committee ("NRC") has been entrusted with the responsibility to review candidates for appointment to the Board, Board Committees and Senior Management for Grade 11 and above. The NRC also has the responsibility to determine the remuneration of the GMD and other Senior Management personnel from Grade 11 and above.

The succession planning for Senior Management Grade 11 and above is deliberated by the NRC which then makes the necessary recommendations to the Board for consideration and approval. The succession planning for other Senior Management positions is facilitated through a structured process led by the Group Human Capital and endorsed by the GMD.

A group talent management programme has been introduced to ensure adequacy of talent for business continuity of the Group. Potential talents are identified by the Group Human Capital through a series of selection and assessment process. All identified talents and potential successors for key positions in the Group will undergo a structured talent development programme, which includes mentoring and coaching.

During the financial year ended 31 March 2016, the Board in overseeing the succession planning of the Company had considered and approved the changes to the directorate of the Company and the promotions of Senior Management of the Company.

Details of the activities undertaken by NRC for the financial year ended 31 March 2016 are set out on pages 52 to 53 of this Annual Report.

v. **Developing and implementing an Investor Relations programme or shareholder communications policy for the Company**

The Board recognises the importance of maintaining transparency and accountability to the shareholders and all other stakeholders. The Group Investor Relations ("IR") has been entrusted with the responsibility to handle IR and communications to the shareholders. The details of key IR initiatives undertaken by the Company during the financial year under review are described in the report on IR contained in this Annual Report.

The Group maintains a website at www.drb-hicom.com ("website of the Company") which can be conveniently accessed by the shareholders and the general public to increase the effectiveness and timeliness of information dissemination. On the website of the Company, there is a dedicated section on IR, to support the Company's communication with the investment community. The Group's website is updated from time to time to provide the latest information about the Group, including corporate information, corporate responsibility activities, annual reports, press releases, financial results of the Group and announcements to Bursa Malaysia.

The Company had established a Corporate Disclosure Policy which is in line with the Corporate Disclosure Guide issued by Bursa Malaysia. The Corporate Disclosure Policy of the Company provides guidance to the Board, Management, Officers and employees of the Company's disclosure requirements and practices in particular on the preparation and submission of timely, true and fair financial disclosures and material announcements to Bursa Malaysia.

This would enhance the Company's compliance, accountability and timely disclosures to all the shareholders and stakeholders. The Corporate Disclosure Policy of the Company is available on the website of the Company.

vi. **Reviewing the adequacy and integrity of the Company's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines**

The Board has overall responsibility for maintaining a system of internal controls that provides reasonable assurance of effective and efficient operations, and compliance with laws and regulations, as well as with internal procedures and guidelines.

The effectiveness of the system of internal controls of the Group is reviewed by the Audit Committee ("AC") periodically during its quarterly meetings. The review covers the Group's financial, accounting and reporting policies and practices, reports of the internal and external auditors and the adequacy of the system of internal controls to safeguard the shareholders' interests and the Group's assets.

The Group Internal Audit Division ("GIAD") monitors compliance with policies, systems and procedures as well as the effectiveness of internal control systems across the Group, whilst legal and regulatory compliance are the responsibilities of the Legal Affairs Department, Corporate Affairs and Corporate Planning Divisions. The GIAD will present its Audit Reports to the AC on a quarterly basis highlighting any breach of internal controls and other areas of weaknesses as well as their recommendations.

During the financial year under review, the AC and the Board reviewed the report on the internal control matters of the Group highlighted by the external auditors and discussed the recommendations for improvements in controls and procedures of the Group. In addition, the AC and the Board also reviewed the summary of the overall assessment done by the external auditors on the quality of the financial reporting performed by the management of the Group companies covering the submission of management accounts, draft financial statements, quality of reconciliations, assessment of internal controls, timeliness of audit confirmation replies and the adequacy of tax provision during the period of audit.

The Group's Statement on Risk Management and Internal Control, which provides an overview of the state of internal controls within the Group, is contained in this Annual Report.

STATEMENT ON CORPORATE GOVERNANCE

1.2 Board Charter

Pursuant to the MCGG 2012, the Company had established a Board Charter which clearly sets out the Board's functions, duties and responsibilities, including division of responsibilities between the Board, the different Board Committees, the Chairman and the GMD. It is a source of reference and primary induction literature, providing insights to prospective Board members and Senior Management.

The Board Charter adopts principles of good governance and is designed to maximise the Company's compliance with the best practice requirements. The Board Charter is reviewed as and when necessary to ensure it remains consistent with the Board's objectives and responsibilities, and all the relevant standards of corporate governance.

The Board Charter is available on the website of the Company and it was last reviewed by the Board on 30 June 2016 to be in line with the regulatory changes and to reflect the recent changes made to the terms of reference of the Board Committees.

1.3 Composition and Balance

During the financial year ended 31 March 2016 and up to the date of this Statement, there were several changes to the directorate of the Company as follows:

Name of Directors	Changes
Dato' Noorizan binti Shafie <i>Non-Independent Non-Executive Director</i>	Resigned on 14 November 2015
Dato' Syed Mohamad bin Syed Murtaza <i>Chairman/Senior Independent Non-Executive Director</i>	Resigned on 1 March 2016
Brigadier General (K) Tan Sri Dato' Sri (Dr) Haji Mohd Khamil bin Jamil <i>Chairman/Non-Independent Non-Executive Director</i>	Retired as GMD on 29 February 2016 and appointed to the current role on 1 March 2016
Dato' Sri Syed Faisal Albar bin Syed A.R. Albar <i>Group Managing Director</i>	Appointed as Group Chief Executive Officer on 4 January 2016 and appointed to the current role on 1 March 2016
Dato' Siti Fatimah binti Daud <i>Non-Independent Non-Executive Director</i>	Appointed on 1 April 2016
Dato' Abdul Rahman bin Ahmad <i>Independent Non-Executive Director</i>	Appointed on 16 May 2016

The appointment of YBhg Brigadier General (K) Tan Sri Dato' Sri (Dr) Haji Mohd Khamil bin Jamil ("YBhg Tan Sri Khamil"), the former GMD of the Company, as the Non-Independent Non-Executive Chairman of the Company was in view of his proven track record in managing and transforming the DRB-HICOM Group.

The current Board consists of nine (9) members, namely, one (1) Executive Director, three (3) Non-Independent Non-Executive Directors (including the Chairman) and five (5) Independent Non-Executive Directors. The Independent Directors make up 56% of the Board membership. Hence, the Board more than fulfills the prescribed requirements for one-third of the membership of the Board to be Independent Board members and the recommendation under the

MCGG 2012, which stipulates that the Board should comprise a majority of Independent Directors where the Chairman of the Board is not an Independent Director.

The composition, experience and balance of skills of the Board are reviewed annually to ensure that the mix of skills and experience is appropriate to meet the needs of the Group.

The Board members with their diverse academic qualifications, background, skills, experiences and professional expertise enable the Board to provide clear and effective leadership to the Group as well as sharing experiences and ideas and make independent judgement to many aspects of the Group's strategy and performance so as to enhance the Board's decision making capabilities and ensuring that the highest

standards of professionalism, conduct, transparency and integrity are maintained by the Group. A brief profile of each Director is contained in this Annual Report.

No individual or group of individuals dominates the Board's decision making. The Independent Directors play an important and pivotal role in corporate accountability and they represent the interest of minority shareholders of the Company. The Independent Directors are responsible for bringing independent and objective judgement and providing balanced views and opinions to the Board's decision making. This is reflected by their memberships and attendances at the various Board Committees of the Company.

None of the Independent Directors participate in the daily management of the Group. Hence, they are free from any relationships which could interfere with the exercise of independent judgement in the best interests of the Company and of the minority shareholders.

The Company adopts the tenure limit of nine-year for Independent Directors, as recommended under the MCGG 2012. The nine-year tenure can either be based on a consecutive service of nine (9) years or a cumulative service of nine (9) years with intervals. Upon completion of the nine years, an Independent Director may continue to serve on the Board subject to the Director's re-designation as a Non-Independent Director. The Board, based on the assessment by the NRC, may seek shareholders' approval in a general meeting to retain the Independent Director who has reached the tenure limit to continue as Independent Director with justification.

1.4 Diversity

The Board values diversity as a factor in selecting candidates to serve on the Board and believes that the diversity which exists in its composition provides significant benefits to the Board and the Company.

The Board considers that diversity includes differences that relate to gender, age, ethnicity, skills, knowledge, qualification and experience. The Board will continue its focus on diversity as it has in recent years, to ensure that there is an appropriate mix of diversity, skills, experience and expertise represented on the Board.

The Board recognises that gender diversity is of importance to boardroom diversity. Nevertheless, the normal selection criteria based on an effective blend of competencies, skills, characteristics, extensive experience and knowledge to strengthen the Board

will remain a priority. As such, the Company does not set any specific target for female Directors in the Board composition. Notwithstanding this, the Board will continue to encourage and support for more women participation on the Board, as and when vacancies and circumstances permit.

During the financial year under review, YBhg Dato' Noorizan binti Shafie, a nominee Director of the Minister of Finance Incorporated and the only female Director of the Company, resigned due to her retirement and another nominee, YBhg Dato' Siti Fatimah binti Daud was appointed to the Board on 1 April 2016.

1.5 Senior Independent Non-Executive Director

On 1 March 2016, YBhg Tan Sri Marzuki bin Mohd Noor was appointed as the Senior Independent Non-Executive Director of the Company, to whom concerns may be conveyed by shareholders and stakeholders, to replace YBhg Dato' Syed Mohamad bin Syed Murtaza, the former Chairman and Senior Independent Non-Executive Director of the Company.

The appointment of YBhg Tan Sri Marzuki bin Mohd Noor was primarily due to his seniority, long serving as an Independent Director on the Board, deep knowledge of the business and industry of the Group as well as his strong leadership qualities.

1.6 Roles and Responsibilities of the Chairman and the GMD

The Chairman of the Company represents the Board to the shareholders. He is responsible for ensuring the integrity and effectiveness of the governance process of the Board and will consult with the Board promptly over any matter that gives him cause for major concern. In addition, he is responsible for providing clarifications to the shareholders at the Company's general meetings and also responsible for ensuring Board effectiveness and proper conduct.

The Chairman will act as facilitator at Board meetings and ensure that no Board member, whether executive or non-executive, dominates the discussion and that appropriate discussion takes place and that relevant opinion among Board members are forthcoming. The Chairman encourages a healthy debate on issues raised at meetings, and gives opportunity to Directors who wish to speak on the motions, either for or against them.

STATEMENT ON CORPORATE GOVERNANCE

On the other hand, the GMD has the overall responsibility for management of the operating units, organisational effectiveness and implementation of Board policies, decisions and strategies. He reports to the Board and is responsible for communicating matters relating to the Group's business affairs and issues to the Board.

The segregation between the duties of the Chairman and GMD ensures appropriate balance of role, responsibility and accountability at the Board level. Their roles and responsibilities are set out in the Board Charter which is available on the website of the Company.

1.7 Directors' Time Commitment

All Directors are expected to allocate sufficient time and attention to perform their duties and responsibilities effectively. The Directors are also required to notify the Chairman before accepting any new Board appointment.

A Non-Executive Director of the Company is expected to devote sufficient time to attend all Board and Board Committee meetings, general meetings, trainings/seminars for Directors, site visits and other activities which are relevant for the effective discharge of his/her responsibilities as a Director of the Company.

All Directors of the Company have confirmed that their other directorships in public listed companies do not exceed the maximum five (5) directorships permitted by the MMLR. In addition, the Directors are required to notify the Company in a timely manner of any changes to the list of his/her directorships in public and private companies.

1.8 Appointment

There is a formal and transparent procedure for the appointment of new Directors to the Company and the Group, the primary responsibility of which has been delegated to the NRC to ensure that any decisions made are in the best interest of the Company.

The nomination and election of the Board members involves certain process. The Board will seek recommendation/referral from the existing Directors to source and nominate suitable candidates for appointment as Directors to fill the Board vacancies or to complement the existing Board. When candidates are identified, NRC will evaluate the suitability of the candidates based on the criteria set and make the necessary recommendation to the Board for approval. The Board will then make the final decision on the appointment of director.

The NRC's assessment criteria of the candidates includes, but not limited to, consideration of the relevant knowledge and diversity of backgrounds, professional qualifications, skills, experience, personal qualities and perspectives that would complement the existing Board as well as the time commitment and other directorships in public listed companies. The NRC also consider the gender diversity on reviewing the proportion of female to male Directors during the assessment. In the case of a candidate for the position of an Independent Director, the NRC would consider the candidate's ability to discharge such responsibilities/functions as expected of an Independent Director.

Subsequent to the appointment of new Directors to the Board, the Company will arrange for an induction programme for the new Directors, including visits to the Group's significant businesses and meetings with Senior Management, to enable the new Directors to get a full understanding of the nature of the businesses, the current issues within the Group and corporate strategies as well as the structure and management of the Group.

Following the evaluations based on the assessment criteria conducted by the NRC during and after the financial year ended 31 March 2016, the Board on the recommendations of the NRC had appointed YBhg Dato' Sri Syed Faisal Albar bin Syed A.R. Albar, YBhg Dato' Siti Fatimah binti Daud and YBhg Dato' Abdul Rahman bin Ahmad as Directors of the Company to complement the Board composition.

The newly appointed Directors had attended the induction programmes organised by the Company, to help them familiarise with the matters relating to the Company's business activities, its strategic directions and policies, the regulatory environment in which the Group operates and the Company's corporate governance practices.

1.9 Training

The NRC has been entrusted by the Board to evaluate the training needs of the Directors including provision of continuous training for all Directors of the Company.

All existing Directors, including the newly appointed Directors, have completed the Mandatory Accreditation Programme as prescribed by Bursa Malaysia and they are encouraged to attend continuous education programmes and seminars to keep abreast with the latest developments in the marketplace as well as to further enhance their business acumen and professionalism in discharging their duties to the Group.

The Directors may also request at the expense of the Company to attend additional training courses according to their individual needs as a Director or member of Board Committees on which they serve. A dedicated training budget for Directors' continuing training is provided each year to ensure the Directors are well equipped with the relevant skills and knowledge to meet the challenges ahead.

The Company Secretary keeps a complete record of the trainings attended by the Directors and from time to time, the Company Secretary will forward relevant training brochures to the Directors for consideration.

Apart from attending the various conferences, seminars and training programmes organised by the external/internal organisers during the financial year ended 31 March 2016, the Directors also visited the key operating units of the Group. In addition, the Directors continuously received briefings and updates on regulatory, industry and legal developments, including information on the Group's businesses and operations, risk management activities and other initiatives undertaken by the Management.

The particulars of the seminars, conferences, training programmes and site visits attended by the Directors, except for the Directors who resigned during the financial year ended 31 March 2016 and those appointed after the financial year under review, to better understand the nature of the Group's businesses are as summarised below:

Directors	Trainings Attended/Site Visits
Brigadier General (K) Tan Sri Dato' Sri (Dr) Haji Mohd Khamil bin Jamil	Visit to PUSPAKOM Sdn. Bhd.'s new branch at Shah Alam, Selangor.
	DRB-HICOM Leadership Forum.
	Embracing the Board's Role in Corporate Transformation for Sustainable Results.
	Visit to DRB-HICOM Asia Cargo Express Sdn. Bhd. at Kuala Lumpur International Airport, Sepang, Selangor.
	Mentor and Mentee Programme
Dato' Ibrahim bin Taib	7 th Annual Corporate Governance Summit.
	Embracing the Board's Role in Corporate Transformation for Sustainable Results.
Datuk Haji Abdul Rahman bin Mohd Ramli	Visit to PUSPAKOM Sdn. Bhd.'s new branch at Shah Alam, Selangor.
	Embracing the Board's Role in Corporate Transformation for Sustainable Results.
	8 th Annual Corporate Governance Summit.
Tan Sri Marzuki bin Mohd Noor	Visit to Honda Aoyama Headquarters, Japan.
	7 th Annual Corporate Governance Summit.
	Embracing the Board's Role in Corporate Transformation for Sustainable Results.
	8 th Annual Corporate Governance Summit.
Ong le Cheong	Visit to PUSPAKOM Sdn. Bhd.'s new branch at Shah Alam, Selangor.
	Embracing the Board's Role in Corporate Transformation for Sustainable Results.
Datuk Ooi Teik Huat	Rabobank Business Forum – Financial Markets Outlook 2016, Asean Economic Community and Market Hedging.
	Future of Auditor Reporting – The Game Change for Boardroom.
Dato' Sri Syed Faisal Albar bin Syed A.R. Albar <i>(Appointed on 1 March 2016)</i>	Mentor and Mentee Programme.

STATEMENT ON CORPORATE GOVERNANCE

The NRC had assessed and reviewed the list of training programmes attended by the Directors during the financial year ended 31 March 2016 and was satisfied that the trainings attended by the Directors were appropriate and relevant to the Company's needs and adequate to enhance the Directors' skills and knowledge to carry out their duties as Directors.

The NRC will, on a continuing basis, evaluate the training needs of the Directors, particularly the relevant new laws and regulations as well as the essential practices for effective corporate governance, to enable the Directors to continue to participate actively in Board deliberations and decision making.

1.10 Board Effectiveness

The Board, through its delegation to the NRC, had implemented the process for an annual effectiveness assessment of the Board, Board Committees and the contribution of each Director to the effectiveness of the Board. The objective is to improve the Board's effectiveness by identifying gaps, maximising strengths and addressing weaknesses.

The NRC assesses the performance of the Board, Board Committees and the contribution of each Director annually using the self-assessment methodology. Customised questionnaires are sent to the Directors for completion and the areas of evaluation comprise Board/Board Committee size, composition and effectiveness, information management, accountability, communication with management, performance in discharging the duties, time allocation, quality of information and decision making. The Board also assesses the Board Committees' performances through their regular reports to the Board on their activities. For evaluation of individual Directors, the areas of assessment are on fit and proper standing, contribution, performance, corporate integrity, commitment, capability and others.

The Company Secretary will collate the results of the appraisals received from the Directors for submission to the Chairman of the NRC who oversees the overall evaluation process.

The NRC, pursuant to its recent annual review and assessment, is satisfied that the size and composition of the Board and Board Committees are appropriate and well balanced to fairly reflect the interests of major and minority shareholders. The NRC is also satisfied

that all members of the Board are suitably qualified in view of their respective competency, character, integrity, qualifications and experience which provide the Board with a good mix of governmental and industry-specific knowledge, broad business sense and commercial experience. These include business, corporate and entrepreneurial sectors, legal, finance, accounting and economics. The overall performance of the Board and Board Committees for the financial year ended 31 March 2016 was rated consistently good.

1.11 Re-election and Re-appointment of Board Members

In accordance with the Company's Articles of Association, all Directors shall retire from office by rotation once every three (3) years but shall be eligible for re-election. The Articles also provide that any Director appointed during the year should hold office only until the next Annual General Meeting ("AGM") and should then be eligible for re-election. Pursuant to Section 129(2) of the Companies Act, 1965 ("Act"), Directors who are over the age of seventy (70) years shall retire at every AGM and may offer themselves for re-appointment to hold office until the next AGM.

The GMD also ranks for re-election by rotation. The NRC reviews and assesses annually the Directors who are seeking for re-election and re-appointment at the AGM of the Company. The NRC will, upon its review and assessment, submit its recommendation on the proposed re-election and re-appointment of Directors to the Board for approval, before tabling such proposals to the shareholders at the AGM. The re-election and re-appointment of Directors provide the shareholders an opportunity to re-assess the composition of the Board.

If the retiring Directors are Independent Directors, the NRC and the Board would also take into consideration the annual assessment on independence carried out on the Independent Directors based on the criteria of independence prescribed under the MMLR.

The Board through the NRC and having considered the eligibility and suitability of the Directors who are subject to re-election and re-appointment in accordance to the Company's Articles and the Act, is of the opinion that YBhg Dato' Sri Syed Faisal Albar bin Syed A.R. Albar, YBhg Dato' Siti Fatimah binti Daud, YBhg Dato' Abdul Rahman bin Ahmad, YBhg Tan Sri Khamil, YBhg Tan Sri Marzuki bin Mohd Noor, YBhg Datuk Haji Abdul Rahman bin Mohd Ramli (Aged 77) and Mr Ong le Cheong (Aged 75) meet the criteria of

character, skill, experience, integrity, competence and time commitment to effectively discharge their roles as Directors and recommend their re-election and re-appointment for the shareholders' approvals at the 26th AGM of the Company.

In addition, the NRC had assessed and the Board had endorsed that all the Independent Directors including those who are seeking for re-election and re-appointment at the 26th AGM of the Company comply with the independence criteria as prescribed in the MMLR and remained independent in exercising their judgement and in carrying out their duties as Independent Directors. All the Independent Directors have also provided the NRC with written confirmations on their independence during the annual assessment exercise conducted for the financial year ended 31 March 2016.

YBhg Datuk Haji Abdul Rahman bin Mohd Ramli, an Independent Director, who is retiring pursuant to Section 129 of the Act at the 26th AGM of the Company has in July 2016 notified the Board that he will not seek for re-appointment due to his other commitments. Accordingly, YBhg Datuk Haji Abdul Rahman bin Mohd Ramli will retire as an Independent Director of the Company upon the conclusion of the Company's 26th AGM. The Board endeavours to look for a suitable replacement Independent Director in due course.

1.12 Conflicts of Interest

The Directors continue to observe the Company Directors' Code of Ethics established by the Company in carrying out their fiduciary duties and responsibilities. This is to ensure that high ethical standards are upheld, and that the interests of stakeholders are always taken into consideration. The Directors' Code of Ethics is set out in the Board Charter of the Company which is available on the website of the Company.

The Directors are required to declare their direct and indirect interests in the Company and related companies. It is also the Directors' responsibility to declare to the Board whether they and any person(s) connected to them have any potential or actual conflict of interest in any transaction or in any contract or proposed contract with the Company or any of its related companies. Any Director who has an interest in any related party transaction shall abstain from Board deliberation and voting and shall ensure that he/she and any person(s) connected to him/her will also abstain from voting on the resolution before them.

The Company has put in place appropriate controls to ensure the systematic identification of potential conflicts of interest and procedures between the Directors and the operation of the Group so as to manage such conflict of interest and procedures if arises.

The Directors and Senior Management are also informed of the closed periods periodically in accordance with the relevant provisions of the MMLR. The purpose is to remind the Directors and Senior Management not to deal in securities of the Company as long as they are in possession of price-sensitive information.

1.13 Board Meetings and Supply of Information to the Board

The Directors are expected to attend all meetings of the Board and the Committees on which they serve and devote sufficient time to perform their duties as Directors of the Company.

To ensure that the Group is managed effectively, the Board meetings for the ensuing calendar year are scheduled in advance before the end of each calendar year so as to enable the Directors to plan ahead and fit the year's Board meetings into their own schedules. The Board meets at least four (4) times a year, once every quarter and additional meetings are convened between the scheduled meetings as and when necessary where any direction or decisions are required expeditiously from the Board. To assist the Board in managing the Group, the Board meetings are governed by a structured formal agenda and schedule of matters arising for approval or notation with sufficient time given for deliberations.

All Directors will receive the agenda and a set of Board Papers containing information relevant to the matters to be deliberated at the meetings at least 5 working days prior to the Board meetings. This is to accord sufficient time for the Directors to review the Board Papers and if required, seek clarification and explanation from the Management or the Company Secretary.

At the Board meeting, the Chairman encourages the Board members to have constructive, open and healthy debates to ensure that decisions are made unanimously or by consensus after effective discussions by the Directors. The Board is able to arrive at a considered decision with the information and clarification provided by the Management and professional advisors.

STATEMENT ON CORPORATE GOVERNANCE

All Directors, whether independent or otherwise, have direct and unrestricted access to Management and may seek professional advice at the Group's expense, if required. Professional advisers, consultants, auditors and solicitors appointed by the Company to advise on corporate proposals to be undertaken by the Company, are invited to attend Board meetings to render their advice and opinion as well as to clarify on any issues raised by the Directors on the matters tabled for the Board's consideration.

During the financial year ended 31 March 2016, eight (8) Board meetings were held and the Directors' attendances at the Board meetings are as follows:

Directors	Attendance
Brigadier General (K) Tan Sri Dato' Sri (Dr) Haji Mohd Khamil bin Jamil	7/8
Dato' Ibrahim bin Taib	8/8
Datuk Haji Abdul Rahman bin Mohd Ramli	8/8
Tan Sri Marzuki bin Mohd Noor	8/8
Ong le Cheong	8/8
Datuk Ooi Teik Huat	8/8
Dato' Noorrizan binti Shafie <i>(Resigned on 14 November 2015)</i>	3/3
Dato' Syed Mohamad bin Syed Murtaza <i>(Resigned on 1 March 2016)</i>	6/6
Dato' Sri Syed Faisal Albar bin Syed A.R. Albar <i>(Appointed on 1 March 2016)</i>	2/2
Dato' Siti Fatimah binti Daud <i>(Appointed on 1 April 2016)</i>	Not Applicable
Dato' Abdul Rahman bin Ahmad <i>(Appointed on 16 May 2016)</i>	Not Applicable

Hence, all current Directors have more than adequately complied with the minimum requirement on attendance at Board meetings as stipulated in the MMLR (minimum 50% attendance).

1.14 Company Secretary

The Company Secretary of DRB-HICOM, who is a member of the Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants, is experienced, competent and qualified to act as Company Secretary under Section 139A of the Act. The appointment and removal of the Company Secretary is a matter for the Board as a whole. All Board members have separate and independent access to the advice and services of the Company Secretary to facilitate the discharge of their duties.

The Company Secretary is responsible to the Board for ensuring that Board policies and procedures are complied with and advising the Board, particularly with regard to the Company's constitution, governance matters as well as compliance with the applicable laws, rules and regulations. In addition, the Company Secretary also updates the Board regularly on amendments to the MMLR, circulars from Bursa Malaysia and matters relating to statutory obligations and directives issued by the regulatory authorities from time to time.

The Company Secretary attends all Board and Board Committee meetings and ensures that there is a quorum for all the meetings. She is also responsible for ensuring that all the meetings are convened in accordance with the Board procedures and relevant terms of references.

The decisions made by the Board at the Board meetings are conveyed to the respective Management for their immediate actions through action lists issued by the Company Secretary within five (5) working days after each Board meeting.

The minutes of the meetings are prepared to include amongst others, pertinent issues, substance of enquires and responses, recommendations and decisions made by the Directors. The minutes of the meetings are properly kept in line with the relevant statutory requirements of the Act.

During the financial year under review, the Company Secretary attended the relevant professional trainings to update her skills and knowledge for the effective discharge of her duties.

1.15 Board Committees

To ensure the effective discharge of its fiduciary duties, the Board has delegated specific responsibilities to the respective Committees of the Board but retains full responsibility for the direction and control of the Group. All such Board Committees, have written terms of reference which state clearly their functions and responsibilities. The Board reviews the functions and terms of reference of Board Committees from time to time to ensure that they are relevant and updated in line with the provision of the MCGG 2012 and other related policies or regulatory requirements.

The Chairmen of the respective Board Committees report to the Board on the outcome of Board Committee meetings which require the Board's attention and direction and the Board also review the minutes of the Board Committee meetings.

The Board has established three (3) Board Committees namely, Audit Committee, Board Risk and Sustainability Committee as well as Nomination and Remuneration Committee. Details of the current Board Committees of the Company and the attendances at the Board Committees' meetings held during the financial year ended 31 March 2016 are as follows:

i. Audit Committee ("AC")

The AC comprises the following Independent Non-Executive Directors and their attendances at the AC meetings held in the financial year ended 31 March 2016 are as follows:

Members	Attendance
Datuk Haji Abdul Rahman bin Mohd Ramli <i>(Chairman)</i>	5/5
Tan Sri Marzuki bin Mohd Noor	5/5
Ong le Cheong	5/5
Datuk Ooi Teik Huat	5/5

The AC meets not less than four (4) times a year and twice with the internal and external auditors without the presence of the Management. The terms of reference and functions of the AC are set out in the Board Charter of the Company which is available on the website of the Company.

ii. Nomination and Remuneration Committee ("NRC")

The NRC comprises the Non-Independent Non-Executive Chairman and two (2) Independent Non-Executive Directors and their attendances at the NRC meetings held in the financial year ended 31 March 2016 are as follows:

Members	Attendance
Dato' Syed Mohamad bin Syed Murtaza <i>(Chairman)</i> <i>(Ceased on 1 March 2016)</i>	2/2
Brigadier General (K) Tan Sri Dato' Sri (Dr) Haji Mohd Khamil bin Jamil <i>(Chairman)</i> <i>(Appointed on 1 March 2016)</i>	Not Applicable
Tan Sri Marzuki bin Mohd Noor	2/2
Ong le Cheong	2/2

The MCGG 2012 recommends that the Senior Independent Director of the Company should be the Chairman of NRC. The Board had considered the MCGG 2012's recommendation and after due consideration has decided to appoint YBhg Tan Sri Khamil as the Chairman of NRC primarily due to his deep knowledge of the Group's businesses with cross functional and multidisciplinary expertise which can enhance his role as a Chairman of NRC.

Although the Company combines both its Nomination and Remuneration Committees as one (1) committee called NRC, the NRC reviews and considers matters related to nomination and remuneration separately. There are separate board papers on nomination and remuneration matters that were tabled, discussed and deliberated at the NRC meetings.

The terms of reference and functions of the NRC are set out in the Board Charter of the Company which is available on the website of the Company.

STATEMENT ON CORPORATE GOVERNANCE

Among the activities undertaken by the NRC during the financial year ended 31 March 2016 were as follows:

- a) Considered and recommended the appointment of new Directors of the Company as well as the key subsidiary and associated companies of the Group;
- b) Considered and recommended the Directors standing for re-election and re-appointment tabled at the 25th AGM and Independent Directors whose terms of office have exceeded nine (9) years to be retained as Independent Directors pursuant to the MCCG 2012;
- c) Reviewed the structure, size, balance and composition of the Board and its Committees;
- d) Conducted the annual assessment on the effectiveness of the Board and its Committees as well as the contribution of each Director;
- e) Conducted the annual assessment of the independence of the Independent Directors;
- f) Reviewed the training programmes attended by the Directors to ensure all Directors received appropriate continuous training;
- g) Reviewed and recommended the Revised Terms and Conditions of Service for the Company;
- h) Evaluated the KPIs and performance bonus for the GMD and Senior Management personnel of Grade 11 and above for the financial year ended 31 March 2015;
- i) Considered and recommended the annual increment for financial year ended 31 March 2016 and bonus for the financial year ended 31 March 2015;
- j) Considered and recommended the appointments of Chairman of the Company as well as GMD and Group Chief Executive Officer of the Company;

- k) Considered and recommended the extension of employment contract of a Senior Management personnel of Grade 11 upon his retirement; and
- l) Considered and recommended the promotion of Senior Management personnel at Grade 10 to Group Directors at Grade 11.

In line with Paragraph 2.20A of the MMLR, the NRC also assessed the principal officer responsible for overseeing the Group's accounting/reporting and taxation and found that he possesses the required skills, knowledge, competency and experience to continue to discharge his role efficiently.

In assessing the retention of YBhg Tan Sri Marzuki bin Mohd Noor, YBhg Datuk Haji Abdul Rahman bin Mohd Ramli and Mr Ong le Cheong who have served as Independent Directors for more than nine (9) years, the NRC and the Board are of the view that they have continued to remain objective and independent-minded in their participation in the deliberations and decision making of the Board and Board Committees. Moreover, the Board believes that length of time is not the sole determinant of their credibility and effectiveness as Independent Directors since it does not in any way affect or interfere with their exercise of independent judgement and ability to act in the best interest of the Company and the Group.

YBhg Tan Sri Marzuki bin Mohd Noor had actively participated in the Board and Board Committees meetings by constantly seeking clarifications and challenging the Management when necessary and is objective in his scrutiny. YBhg Datuk Haji Abdul Rahman bin Mohd Ramli and Mr Ong le Cheong had constantly expressed their views objectively and advised the Management on the concerns and issues concerning the Group.

The NRC and the Board are confident that they will continue to discharge their duties diligently, independently and objectively notwithstanding their tenure on the Board based on the following reasons:

- a) They fulfil the criteria as Independent Directors as defined in the MMLR and therefore are able to bring independent and objective judgement to the Board.

- b) Their mix of skills and vast experiences in the various industries of the Company and finance related field enable them to provide the Board with a diverse set of experience, expertise, skills and competence.
- c) They have in-depth knowledge of the Company's business operations including the issues and concerns of the Group which allow them to participate actively and contribute positively during deliberations or discussions at both the Board and its Committees meetings.
- d) They devote sufficient time and effort and attend all the Board and Board Committees meetings for informed and balanced decision making.
- e) They exercise due care as Independent Directors of the Company and carry out their professional and fiduciary duties in the interest of the Company, shareholders as well as stakeholders.

The Board on the recommendation of the NRC agreed to seek the shareholders' approval at the 26th AGM to retain the three (3) Independent Directors who have exceeded their cumulative terms of nine (9) years.

All the assessments and evaluations carried out by the NRC are properly documented.

In July 2016, YBhg Datuk Haji Abdul Rahman bin Mohd Ramli notified the Board that he will not seek for re-appointment at the Company's 26th AGM due to his other commitments.

iii. Board Risk and Sustainability Committee ("BRSC")

The BRSC comprises the following Independent Non-Executive Directors and their attendances at the BRSC meetings held in the financial year ended 31 March 2016 are as follows:

Members	Attendance
Tan Sri Marzuki bin Mohd NOOR <i>(Chairman)</i>	4/4
Datuk Haji Abdul Rahman bin Mohd Ramli	4/4
Datuk Ooi Teik Huat	4/4

The terms of reference of the BRSC are set out in the Board Charter of the Company which is available on the website of the Company.

1.16 Other Committees

In addition to the Board Committees, the Company has established at Management level two (2) other main Committees namely, Board of Management and Group Risk Management Committee headed by the GMD to assist the Board in fulfilling its responsibilities.

i Board of Management ("BoM")

The Board has delegated certain responsibilities to the GMD, who is supported by a BoM. The meetings of BoM are held every fortnightly or as and when necessary, with proper agenda to deliberate on the key matters relating to the Group's businesses, key operating issues, finances, manpower and other strategic matters including proposals/projects based on the LOA of the Group, before submission to the Board for consideration and approval.

The BoM is also responsible for formulating the Company and Group policies for recommendation to the Board for consideration as well as implementing key policy decisions of the Board. The minutes of the meetings are submitted to the Board for notation.

ii Group Risk Management Committee ("Group RMC")

The Management has established a Group RMC to assist the BRSC in identifying principal risks affecting the Group and ensuring that appropriate systems are in place and effective actions are taken to mitigate and eliminate such risks to safeguard the shareholders' investments and the Group assets. The Group RMC is chaired by the GMD and comprises representatives from the respective divisions.

STATEMENT ON CORPORATE GOVERNANCE

The Board through the BRSC oversees the risk management and sustainability activities of the Group. The Group RMC formulates proposals on risk management and sustainability policies including the respective measurement parameters across the Group and makes appropriate recommendations to the Board for its approval upon endorsement by the BRSC. The BRSC is responsible for ensuring that the risk management and sustainability framework in the Group operates effectively based on the policies approved by the Board. The Group RMC reviews and presents the identified risks to the BRSC before submission to the Board the key risks and action plans to mitigate the risks.

overall remuneration is structured so as to link rewards to corporate and individual KPIs. Non-Executive Directors ("NEDs") will be paid a basic fee as ordinary remuneration and they will also be paid a sum based on their responsibilities in Board Committees and for their attendances at meetings.

The NRC is responsible for setting the policy framework and for making recommendations to the Board on all elements of the remuneration and other terms of employment of the GMD and Senior Management.

The GMD shall abstain from deliberation and voting on decisions in respect of his own remuneration. The remuneration (excluding fees) of NEDs is decided by the Board as a whole.

1.17 Directors' Remuneration

The objectives of the Group's policy on Directors' remuneration are to ensure that the Group attracts and retains Directors of calibre and integrity to run the Group successfully. In the case of the GMD, the

Details of Directors' remuneration for the financial year ended 31 March 2016, distinguishing between Executive and NEDs in aggregate, with categorisation into appropriate components, and the number of Directors whose remuneration fell into each successive band of RM50,000, are set out below:

	GROUP	
	2016 RM	2015 RM
Non-Executive Directors:		
- Fees	919,133	897,000
- Attendance, other allowances and benefits	1,311,115	1,227,325
Executive Directors:		
- Salaries, bonuses, allowances and other benefits	8,476,043	8,340,414
Total	10,706,291	10,464,739

Directors' Remuneration*	Executive	Non-Executive	Total
RM50,001 – RM100,000	–	1	1
RM100,001 – RM150,000	1	** 3	4
RM350,001 – RM400,000	–	2	2
RM500,001 – RM550,000	–	2	2
RM8,300,001 – RM8,350,000	** 1	–	1
Total	2	8	10

* Remuneration paid to the Directors of the Company includes fees, salaries and other emoluments namely; bonuses, Employees Provident Fund contributions, attendance and other allowances and benefits-in-kind, where applicable.

** Included the remuneration paid to the former GMD who is now the Non-Independent Non-Executive Chairman of the Company.

The disclosure of Directors' remuneration is made in accordance with Appendix 9C, Part A, Item 11 of the MMLR.

i. Directors' Fees

In 2015, the Company obtained shareholders' approval via an ordinary resolution for the payment of the Company's Directors fees not exceeding RM1,200,000 for each financial year effective 31 March 2016 onwards based on the recommendation of the Board. Hence, yearly payment of fees to the NEDs of the Company does not need shareholders' approval unless there is an increase in the total Directors' fees payable to the Directors pursuant to Paragraph 7.24 of the MMLR. The fees for NEDs of the Company is lower at RM750,750 for the financial year ended 31 March 2016 compared to RM785,000 for the financial year ended 31 March 2015.

The yearly Directors Fees for NEDs are as follows:

	Board (RM)	AC (RM)	NRC (RM)	BRSC (RM)
Chairman	140,000	17,000	10,000	10,000
Each Member	90,000	12,000	8,000	8,000

ii. Meeting Allowances

All NEDs are also paid meeting allowances as determined by the Board to reimburse them for expenses incurred for attendance at Board/Board Committee meetings and shareholders' meetings, which is inclusive of travelling and accommodation.

The meeting allowance for AC is fixed at RM3,000 per meeting while the meeting allowances for the Board and other Board Committees as well as general meetings are fixed at RM1,500 per Director per meeting.

iii. Remuneration of the GMD

The basic salary inclusive of statutory employer contributions to the Employees Provident Fund for the GMD is determined and approved by the Board, taking into account the performance of the GMD, the consumer price index and information from independent sources on the rates of salary for similar positions in a selected group of comparable companies.

The adoption of the KPIs was part of the overall governance to enhance the performance management, financial performance and shareholders' value of the Company. The KPIs were formulated based on two (2) main segments namely;

Corporate/Financial and Priorities. For the GMD and the Senior Management, greater emphasis was placed on sustainability of growth which was underpinned by the relevant financial factors.

The performance-based bonuses are strictly tied to the achievement of their KPIs. The bonus formula is designed to promote additional effort and initiatives beyond the KPI targets. Performance assessments of these personnel together with the rewards due were rigorously undertaken at the Management and NRC levels with the Board making the final determination pursuant to the recommendations of the NRC.

iv. Remuneration of Key Senior Management Personnel

The NRC as well as the Board ensure that the remuneration packages of Key Senior Management Personnel are sufficiently attractive to retain persons of high calibre in tandem with their respective contribution for the year. This would ensure that the Group's remuneration packages remain competitive and are in line with the Group's corporate objective to safeguard the interest of the shareholders.

STATEMENT ON CORPORATE GOVERNANCE

v. Benefits-In-Kind

Other customary benefits, such as use of company car, driver and handphone expenses/allowance were made available to the Chairman, GMD and Senior Management as appropriate.

vi. Terms and Conditions of Employment

The GMD is employed on terms and conditions as approved by the Board.

2. SHAREHOLDERS AND INVESTORS

2.1 Dialogue between the Company and Investors

The Board values dialogue with investors and appreciates the keen interests of shareholders and investors in the Group's performance. The Board acknowledges the need for shareholders to be informed of all material business matters affecting the Group.

In line with the Company's Corporate Disclosure Policy, the Company is fully committed in maintaining transparency and accountability to all its shareholders and stakeholders through consistent disclosures of relevant and comprehensive information on timely manner to all investors including the minority shareholders. This is to ensure that all the Company's shareholders are treated equitably and the rights of all investors, including minority shareholders are protected.

The Company communicates with its shareholders and stakeholders on regular basis through timely releases of financial results on a quarterly basis, press releases and announcements to Bursa Malaysia which provide an overview of the Group's performance and operations for investment decision making, through accessible channels. In addition, the Company initiates dialogues with its shareholders and stakeholders as and when required. Media coverage on the Group is initiated at regular intervals to provide wider publicity and improve the understanding of the Group's business.

2.2 General Meetings

The Company supports the principle of encouraging shareholders' participation and voting at general meetings of the Company which are the principal forum for dialogue with the shareholders. It also provide opportunities for interaction amongst the shareholders, Directors and Management.

The Company sends out the notices convening general meetings to all shareholders at least fourteen (14) days before the date of the meeting or at least twenty-one (21) days before the date of the meeting where any special resolution is to be proposed or where it is an AGM. Items of special business included in the Notice of AGM are accompanied by an explanatory statement to facilitate full understanding and evaluation of the issues involved.

All Directors attend the general meetings of the Company, unless unforeseen circumstances prevent them from attending these meetings. In order to promote participation by members/proxies at general meetings of the Company, before the commencement of the general meetings, the Chairman will brief the members, proxies and corporate representatives who attend the meetings of their rights to speak and vote on the resolutions set out in the Notice of General Meetings. At every AGM, helpdesks are set up as a contact point for the shareholders' enquiries.

For AGM of the Company, the proceedings normally commence with a presentation by the GMD and the Senior Management on the progress and business performance of the Group followed by the agenda of AGM. The presentation is supported by visual illustrations of key points and key financial figures to facilitate the shareholders' understanding. During the AGM, shareholders are given the opportunity to raise questions on all affairs of the Company. The Board, Senior Management and relevant advisers are available to provide responses and clarifications to the questions raised by the shareholders at the AGM provided the questions are related to the business activities of the Group. Replies to the questions raised by the Minority Shareholder Watchdog Group prior to the AGM are shared with all shareholders during the AGM.

Effective 1 July 2016, voting on resolutions at general meetings will be conducted by way of poll in line with the latest amendments to the MMLR for the purpose of strengthening corporate governance practices.

2.3 Senior Personnel

Any queries or concerns regarding the Group may be conveyed to the following designated senior personnel of the Company:

- i. YBhg Tan Sri Marzuki bin Mohd Noor
Senior Independent Non-Executive Director
Tel: (03) 7711 2120; Fax: (03) 7803 5929
E-mail: marzuki@eon.com.my

- ii. YBhg Dato' Sri Syed Faisal Albar
bin Syed A.R. Albar
Group Managing Director
Tel: (03) 2052 7772; Fax: (03) 2052 7752
E-mail: syed.faisal@drb-hicom.com
- iii. YBhg Dato' Carol Chan Choy Lin
Group Director, Corporate Affairs/
Company Secretary
Tel: (03) 2052 7695; Fax: (03) 2052 7696
E-mail: cclin@drb-hicom.com

3. ACCOUNTABILITY AND AUDIT

3.1 Financial Reporting

Pursuant to the MMLR, the Directors are responsible to present a true and fair assessment of the Group's position and prospects through the quarterly reports, issuance of annual audited financial statements and corporate announcements on significant developments affecting the Group.

This would ensure that shareholders are provided with a balanced and meaningful evaluation of the Group's performance. The Board is assisted by the AC in scrutinising the financial statements and information for disclosure to ensure accuracy, adequacy and completeness. The Statement of Responsibility by Directors in respect of the preparation of the annual audited financial statements of DRB-HICOM and DRB-HICOM Group is contained in this Annual Report.

3.2 Related Party Transactions ("RPTs") and Recurrent Related Party Transactions ("RRPTs")

The Group has established and adopted the appropriate procedures to ensure that RPTs and RRPTs are entered into at an arm's length basis, and on normal commercial terms which are not more favourable to the related parties than those generally available to the public, and are not to the detriment of the minority shareholders of the Company.

All RPTs and RRPTs of the Group are reviewed by the AC before submission to the Board for consideration. Details of all announcements pertaining to RPTs and RRPTs are available on the website of the Company and Bursa Malaysia Berhad.

3.3 Relationship with External Auditors

The role of the AC in relation to the external auditors is found in the Report of the Audit Committee contained in this Annual Report. The Group has always maintained a close and transparent relationship with its external auditors in seeking professional advice and ensuring compliance with Financial Reporting Standards ("FRSs"), the MMLR and MASB Approved Accounting Standards in Malaysia for Entities other than Private Entities.

The AC meets with the external auditors at least twice a year to discuss any issues arising from their audits without the presence of the Management. The external auditors also highlight to the AC and the Board on matters that require the AC's or the Board's attention together with the recommended corrective actions thereof. The Management is held responsible for ensuring that all these corrective actions are undertaken within an appropriate time frame.

The AC reviews the proposed re-appointment of the external auditors of the Company and their fees on annual basis to ensure that the independence of the external auditors is not compromised.

For the audit of the financial statements of DRB-HICOM and its subsidiaries for the financial year ended 31 March 2016, the external auditors of the Group have provided written confirmation of their independence when presenting the audit planning memorandum as well as upon completion of the audit in accordance with the firm's requirements and with the provisions of the By-Laws on Professional Independence of the Malaysian Institute of Accountants.

3.4 Approval by the Board

The Board had approved the above statement in accordance with a resolution of the Board dated 30 June 2016.

DIRECTORS' STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

In line with Paragraph 15.26(b) of the Bursa Malaysia Securities Berhad's Main Market Listing Requirements ("MMLR"), the Board of Directors of a listed issuer is required to include in its Company's Annual Report a statement about the state of internal control of the listed issuer as a Group. The Malaysian Code on Corporate Governance 2012 ("MCCG 2012") under Principle 6 states that the Board should establish a sound risk management framework and internal control system.

BOARD RESPONSIBILITY

The Board of Directors ("Board") of DRB-HICOM Berhad is responsible for the adequacy and effectiveness of the Group's risk management and internal control system. The Board affirms its commitment towards ensuring and maintaining a sound internal control system which encompasses good governance, risk management and control processes within the Group. In light of the above, the Board confirms that there is a proper risk management assurance process in place to identify, evaluate and manage significant risks impacting the Group's achievement of its corporate objectives. The Board also acknowledges the presence of a sound system of internal control in safeguarding shareholders' investments, the Group's assets and other stakeholders' interests as well as ensuring compliance with applicable laws and regulations.

It is recognised that the Group's system of internal control can only provide reasonable but not absolute assurance against any occurrence of material misstatement or loss, and that the risk management process is designed to manage or mitigate risks that hinder the Group from achieving its goals and objectives.

MANAGEMENT RESPONSIBILITY

The Management assists the Board in the implementation of the Board's policies and procedures on risk and control by identifying, assessing, monitoring and reporting risks and internal control, as well as taking proper actions to address the risks. Management has further assured the Board that the Group's risk management and internal control systems are operating adequately and effectively in all material aspects.

REVIEW OF RISK MANAGEMENT AND INTERNAL CONTROL EFFECTIVENESS

To evaluate the effectiveness of the risk oversight and internal control system within the Group, the Board has taken into account the significant risks that impact the achievement of the Groups' objectives and strategies.

In assessing the effectiveness of the risk management and internal control systems to manage these risks, the Board via its Board Risk and Audit Committees perform the following activities:

a) Board Risk and Sustainability Committee ("Board Risk")

- Ensuring effective oversight, implementation and compliance of the objectives outlined in the Group's Risk Management Policy;
- Establishing strategic content in ensuring the risk management strategies are complete and take into account the environment in which the Group operates and the requirements of all stakeholders and the Board;
- Ensuring that a short and long-term risk management strategy, framework and methodology have been implemented and consistently applied across the Group;
- Review the risk management strategy for identifying, monitoring and managing significant business risks across the Group and consider the effectiveness of internal controls for identified potential material risk;
- Embedding risk management capabilities into all core business processes and ensuring that the culture of the organisation reflects the risk consciousness of the Board;
- Providing a consolidated risk and assurance reporting structure to the Board to support the statement relating to risk management and internal control in the Group's Annual Report;
- Ensuring alignment and coordination of risk and assurance activities across the Group; and
- Identifying opportunities to release potential business benefits through the enhancement of risk management capabilities.

b) Audit Committee

- Ensuring the adequacy of communication and reporting of annual and quarterly financial results of the Group particularly on changes in accounting policies, significant adjustments arising from audits, going concern assumptions and compliance with the Malaysian Financial Reporting Standards and legal requirements;
- Reviewing the activities of the external auditors, mainly on the auditors' appointment and audit fees, auditors' independence and objectivity, scope of audit and external auditors' management letter and responses;
- Assessing the activities of the internal audit function, mainly on the adequacy and achievement of the annual audit plan and the Group Internal Audit Division's ("GIAD") performance, sufficiency and competency of audit resources;
- Reviewing reports issued by GIAD, including special audits of frauds or major internal control breakdown, and ensuring that appropriate actions are taken by Management based on GIAD's recommendations in providing solutions for improvements to the system of internal control and ensuring that the said recommendations are implemented expeditiously; and
- Maintaining a transparent relationship with the external auditors and seeking their professional advice to ensure accounting standards are complied with.

INTERNAL CONTROL

The key components of internal control as subscribed by the Group can be categorised as follows:

1) CONTROL ENVIRONMENT:**BOARD COMMITTEES**

The Board acknowledges that ensuring sound governance requires effective interaction among the Board, Management, internal and external auditors. The Board, in ensuring effective discharge of its responsibilities, is assisted by the Board Committees, namely the Audit Committee, Nomination and Remuneration Committee as well as the Board Risk Committee. Each of the Committees has clearly defined terms of reference.

AUDIT COMMITTEE

The Audit Committee ("AC"), comprising all Independent Non-Executive Directors, provides an oversight of the internal and external audit processes and reviews the reports of the auditors on the adequacy and integrity of the system of internal control and the financial statements of the Group. The AC reviews the engagement of the external auditors, their scope, and approach in the conduct of the audit examination. The AC also reviews the activities and results of the audit conducted by GIAD and where needed recommends appropriate actions to strengthen control.

The AC meets with the external auditors at least twice a year without the presence of the Group Managing Director and Management.

The AC, consisting of members with a wide range of knowledge, expertise and experience, has unrestricted access to internal and external auditors and all employees within the Group. Please refer to pages 63 to 69 of this Annual Report for the Audit Committee Report.

ORGANISATIONAL STRUCTURE & REPORTING LINE

There is a formal organisation structure with clear lines of reporting and responsibility to ensure proper segregation of duties, assignment of authority and accountability within the Group.

VISION, MISSION AND SHARED VALUES

The Management has established vision and mission statements, and shared values to steer and provide direction to employees towards achieving the goals and objectives of the Group.

ETHICS AND BUSINESS PRACTICE

The Group's Code of Ethics and Business Practice, which is communicated to employees, outlines the standards of behaviours and ethics that are expected from employees. Additionally, all permanent employees of executive grade and above are required to declare their assets to the Group Managing Director on a periodic basis and to disclose any instances of conflicts of interest.

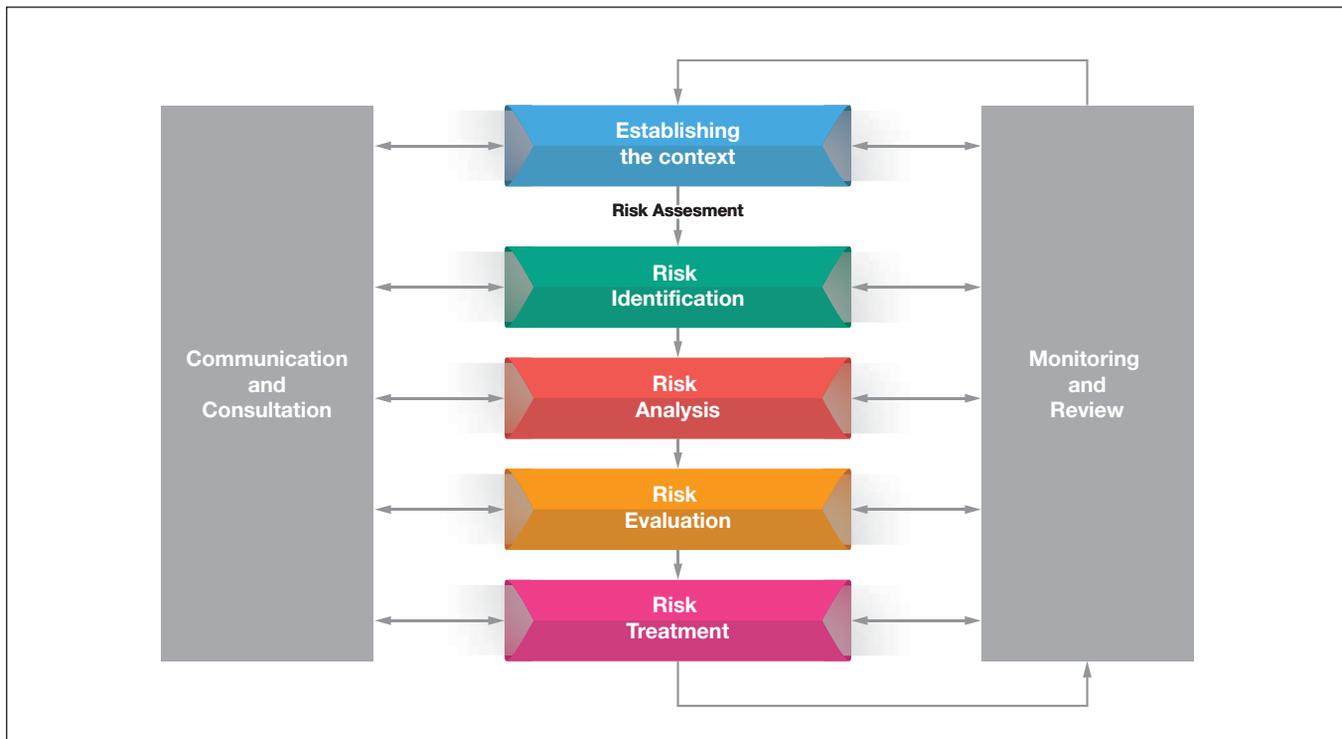
The Corporate Integrity Pledge (CIP) that was signed by Puspakom Sdn Bhd on 9 March 2015 is an evidence of the Group's commitment to uphold the integrity of processes, procedures and policies.

DIRECTORS' STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

2) ENTERPRISE RISK MANAGEMENT ASSURANCE:

The Group has in place an Enterprise Risk Management Framework in accordance with the principles and guidelines outlines under the Committee of Sponsoring Organisation of the Treadway Commission's Enterprise Risk Management Integrated Framework (COSO) and the International Organisation for Standardisation's Risk Management Principles and Guidelines (ISO 31000:2009) to provide a consistent approach towards facilitating an adequate risk assurance process in assessing risks by all employees within the Group.

The Risk Management process is adopted from the ISO 31000:2009 framework as depicted below:



In this respect, the Group Risk Management Division has established and deployed an enterprise risk management solution to all operating companies and corporate divisions to facilitate the effective identification, assessment, quantification, monitoring, mitigating and management of key risks under the Group.

The Group continuously communicates and engages with stakeholders to identify possible risk in addition to the events and circumstances that could affect the achievement of the objectives which includes the realisation of the opportunities. A combination of qualitative and quantitative methods are used by the Management to assess and evaluate the risk identified from 2 perspectives – risk likelihood and impact parameters. Management will then decide, in consultation with Group Risk Management Division, on the risk treatment options for subsequent implementation.

The risk management and control systems are subject to continuous review and improvement to ensure that they are sufficiently capable of responding to changes in the risk profiles and remain aligned with the Group's business strategy.

Notwithstanding the above, the Group Risk Management Division also seeks to build a strong risk management culture by promoting awareness, ownership and accountability of risks. With that being said, individual risk, controls, and management action plan owners are required to provide quarterly assurance to Management and the Board Risk Committee regarding the status of review as well as the adequacy and reasonableness of actions put in place to mitigate key material risks faced by all operating companies and corporate divisions under the Group.

The digital risk assurance sign-off module resides within a risk management solution, namely the Q-Radar System, embedded within the enterprise risk management process of the Group. The assurance template within the module is accessible for sign-off by all operating companies on a quarterly basis.

Additional information on the Group's Risk Management process is provided on pages 74 to 79 of the Annual Report.

3) CONTROL ACTIVITIES:

POLICIES AND PROCEDURES

The Group has established policies and procedures to govern the various group processes. This would ensure consistency in practice whilst providing guidance and direction for proper management and governance of the operations and business activities within the Group.

Among the key policies and procedures in place are Human Capital, Information Technology, Communication, Procurement, Foreign Exchange, Risk Management, Code of Ethics and Business Practices, Management Control and Internal Control Framework, Whistle Blower, Anti-Fraud and Corporate Disclosure Policies. Policies and procedures are also subject to periodic review, revision, validation and approval.

The Group has also established the Limits of Authority ("LOA") to provide a framework of authority and accountability within the organisation. The LOA sets the limit and authorisation for strategic, capital and operational expenditure. It is regularly updated and approved by the respective Boards to reflect changing business needs in addressing operational deficiencies.

RISK MANAGEMENT POLICY

The Group has put in place a formal and structured Risk Management Policy developed in accordance with the principles and guidelines outlined under the Committee of Sponsoring Organisation of the Treadway Commission's Enterprise Risk Management Integrated Framework (COSO) and the International Organisation for Standardisation's Risk Management Principles and Guidelines (ISO 31000:2009).

The policy defines the risk management governance and structure, processes, accountabilities and responsibilities throughout the organisation.

WHISTLE BLOWER POLICY

The Whistle Blower Policy ("Policy") outlines the Group's commitment towards enabling employees and other stakeholders to raise concerns in a responsible manner regarding any wrongdoings or malpractices without being subject to victimisation or discriminatory treatment, and to have such concerns properly investigated. The Policy promotes a culture of honesty, openness and transparency within the Group.

The Group encourages its employees to make any disclosure openly and honestly. All disclosures made under the Policy will be dealt with in strict confidence. It will be the task of GIAD or any other assigned investigating party to assess, investigate and report on the complaints or concerns raised.

The Management in an effort to create better awareness of the Policy had introduced the Whistle Blower Policy Brochure ("Brochure") on 5 January 2016. The Brochures had been distributed to all divisions and subsidiaries within the Group.

BUSINESS PLANNING AND BUDGETARY

The Group manages performance of the operating units, within which business strategies, planning and budgetary exercises are established annually and actual performance is monitored and assessed periodically against set targets.

DIRECTORS' STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

4) INFORMATION AND COMMUNICATION:

Pertinent information such as the Group's achievements, changes with regard to corporate and organisational structure as well as policies and procedures are identified, captured, and communicated in a proper and timely manner. This would enable employees to focus and perform their responsibilities effectively.

In addition, all Heads of Business Sectors, Operating Units and Corporate Divisions participate in business dialogue programmes with Senior Management of the Group to discuss strategies and challenges faced towards achieving the business goals and objectives.

5) MONITORING:

INTERNAL AUDIT FUNCTION

The business processes and conduct of the operating units within the Group are continuously assessed by GIAD in the context of adequacy and effectiveness of the financial, operational controls and risk management. GIAD reports to the Audit Committee and communicates to Management on audit observations noted in the course of their review and performs monitoring on the status of actions taken by the operating units. Please refer to page 69 of this Annual Report on the summary of audit works performed by GIAD.

Moreover, members of the Management under the various Corporate Head Office functions, such as procurement and information technology, also undertake periodical review of the compliance and adequacy of the control systems as well as procedures of the Group's companies and operating units.

PERFORMANCE MANAGEMENT

Continuous education, training and development programmes are emphasised in order to nurture quality and competent employees.

Employees' performances are measured according to the set of key performance indicators (KPI) aligned to their functions as assigned to them and which they are expected to accomplish.

ASSURANCE TO THE BOARD

The Statement on Risk Management and Internal Control has been prepared in compliance with the MMLR and the Statement on Risk Management and Internal Control – Guidance for Directors of Listed Issuer 2012. In making the above assurance, the Group Managing Director and the Group Director, Financial Services acknowledged that the risk management and internal control systems are operating adequately and effectively in all material aspects based on the risk management and internal control systems of the Group.

STATE OF ADEQUACY AND EFFECTIVENESS OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

For the financial year under review and up to the date of the approval of this Statement on Risk Management and Internal Control, after taking into consideration the assurance from the Group Managing Director and Group Director, Financial Services, the Board is of the opinion that the system of internal control and risk management processes are adequate and sound to provide reasonable assurance in safeguarding shareholders' investments, the Group's assets and other stakeholders' interests as well as in addressing key risks impacting the business operations of DRB-HICOM Berhad. There was no major internal control weakness identified that may result in any material loss or uncertainty that would require disclosure in this Annual Report.

REVIEW OF THIS STATEMENT

Pursuant to Paragraph 15.23 of the MMLR, this Statement has been reviewed by the external auditors, Messrs. Ernst & Young, for inclusion in the Annual Report of the Group for the financial year ended 31 March 2016. They have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the processes adopted by the Board in reviewing the adequacy and integrity of the Group's systems of risk management and internal control.

This Statement on Risk Management and Internal Control is made in accordance with the resolution of the Board dated 30 June 2016.

AUDIT COMMITTEE REPORT

The Board of Directors ("Board") of DRB-HICOM Berhad is pleased to present the Audit Committee Report for the financial year ended 31 March 2016.

1. COMPOSITION AND ATTENDANCE AT MEETINGS

1.1 Composition

The composition of the Audit Committee ("AC") members during the financial year ("FY") under review up to the date of this report is as follows:-

Director	Status of Directorship
1) Datuk Haji Abdul Rahman bin Mohd Ramli Chairman of the Audit Committee	Independent Non-Executive Director
2) Tan Sri Marzuki bin Mohd Noor Member of the Audit Committee	Independent Non-Executive Director
3) Datuk Ooi Teik Huat Member of the Audit Committee	Independent Non-Executive Director
4) Mr Ong Ie Cheong Member of the Audit Committee	Independent Non-Executive Director

The AC Chairman, YBhg Datuk Haji Abdul Rahman bin Mohd Ramli, and one of the AC members, YBhg Datuk Ooi Teik Huat, are members of the Malaysian Institute of Accountants ("MIA") and hence the Company has fulfilled the requirement under Paragraph 15.09(1)(c)(i) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia which requires at least one of the AC members to have the requisite financial expertise.

1.2 Attendance

All the AC members attended all the five (5) meetings held during the financial year under review. During the AC Meetings, the Management of the Company was invited to brief the AC on the Group's financial performance and relevant corporate matters as well as to address any queries raised by the AC. The Management of the Group Internal Audit Division ("GIAD") attended all AC meetings and presented the internal audit reports to the AC. Other than the results and reports of internal audits, GIAD also presented the summary of audit activities, internal audit plan as well as audit staff strength. The external auditors were also invited to attend the AC meetings to present the audit scope and plan and the auditors' report on the audited financial statements.

All issues discussed and deliberated during the AC meetings were minuted by the Company Secretary who is also the secretary to the AC. Any matters of significant concern raised by the internal and external auditors were duly conveyed by the AC to the Board.

AUDIT COMMITTEE REPORT

2. TERMS OF REFERENCE OF AUDIT COMMITTEE

The AC was established to assist the Board in fulfilling its oversight responsibilities. The AC shall review and ensure that the process of assessing risk, control and governance, including operational and financial controls, business ethics and compliance are properly managed and monitored.

2.1 Composition

The following requirements are to be fulfilled by the Board in the appointment of the AC from among its members: -

- (a) the AC must be composed of no fewer than three (3) members, the majority of whom must be Independent Non-Executive Directors;
- (b) the Chairman of the AC shall be appointed by the Board from among the Independent Non-Executive Directors and at least one member of the AC must be a member of the MIA or must have at least three (3) years' working experience and;
 - i) must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 - ii) must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967.
- (c) Alternate Directors shall not be appointed as a member of the AC; and subject to any regulatory disqualification, members of the AC shall not be removed except by the Board.
- (d) In the event of any vacancy in the AC, the Board shall within three (3) months fill the same so as to comply with all regulatory requirements. In any event, the Board shall review the term of office and performance of the AC and each of its members at least once every three (3) years.

The Board also performs annual review on the composition and performance of the AC, including the AC members' tenure, performance, effectiveness of the structure as well as accountability and responsibilities.

2.2 Meetings and Attendance

The quorum for all meetings of the AC shall not be less than three (3), a majority of whom shall be Independent Non-Executive Directors. The Chairman shall chair all meetings and in his absence, another Independent Non-Executive Director shall be elected to chair the meeting.

- (a) Meetings shall be held not less than four (4) times a year and the GMD, Head of GIAD and other invitees shall, by invitation, attend the meetings. The Chairman of the Board or Head of Operating Units may be invited to attend as and when required by the AC to provide vital insights into the Company's operations.
- (b) The external auditors are invited to attend the meetings as and when necessary for their expertise.
- (c) The AC shall meet separately with the internal and external auditors at least twice a year without the attendance of Management.
- (d) The Company Secretary shall be the Secretary of the AC and shall provide the necessary administrative and secretarial services for the effective functioning of the AC. The draft minutes shall be circulated to the AC members for comment and the signed minutes shall be tabled at the subsequent Board meeting.

2.3 Authority

The Board has empowered the AC to:-

- (a) investigate any activity within the scope of the AC's duties and its terms of reference and shall have full and unrestricted access to any information or documents relevant to the AC's activities;
- (b) obtain independent legal or other professional advice as necessary;
- (c) communicate directly with the external auditors, internal auditors and all employees of the Group;
- (d) have adequate resources to perform its duties as set out in its terms of reference; and
- (e) make recommendations for improvements of operating performance and management control arising from internal and external audit recommendations.

2.4 Responsibilities and Duties

The functions of the AC have been expanded to include matters specified in the Malaysian Code on Corporate Governance 2012 ("MCCG 2012") as follows: -

(a) Risk And Internal Control

Ensure that the Company and Group have in place an adequate system of risk management and internal control to safeguard shareholders' interests and the Company's assets.

(b) Financial Reporting

Review the annual and quarterly financial results of the Company and Group focusing on, among others, financial disclosures, changes in accounting policies and practices and compliance with the Malaysian Financial Reporting Standards, the Companies Act 1965 and the MMLR.

(c) Internal Audit

In respect of the internal audit function: -

- i. to review the adequacy of the scope, functions, competency and resources of GIAD and to assess whether it has the necessary authority to carry out its responsibilities with regards to the annual audit plan;
- ii. to review the internal audit programme and results of the internal audit process and where necessary ensure that appropriate action is taken on the recommendations of GIAD;
- iii. to review any appraisal or assessment of the performance of the Head of GIAD as well as approve the appointment or termination of senior staff members of GIAD; and
- iv. to discuss any issues from the audits with the Head of GIAD separately without the presence of Management.

(d) External Audit

With regards to the external auditors: -

- i. to review and consider the appointment, resignation or termination of external auditors and their audit fees;
- ii. to discuss with the external auditors, prior to the commencement of audit, the nature and scope of audit and to ensure coordination where more than one audit firm is involved;
- iii. to review with the external auditors the audit plan, their evaluation of the systems of internal accounting controls, their audit report and the assistance given by the Company's officers to the external auditors;
- iv. to review the quarterly and year-end annual financial statements before submission to the Board and announcements to Bursa Malaysia Securities Berhad, focusing particularly on: -
 - any changes in accounting policies and practices;
 - significant adjustments arising from the audit;
 - the going concern assumption; and
 - compliance with the Malaysian Financial Reporting Standards, MMLR, and other legal requirements.
- v. to convene meetings at least twice a year on any issues from the audits, with the external auditors separately without the presence of Management;
- vi. to review the external auditor's Management Letter and Management's response; and
- vii. to review and consider the non-audit services provided by the external auditors to ensure there was no impairment of independence or objectivity.

AUDIT COMMITTEE REPORT

- (e) Other Responsibilities
- i. to instruct the external and internal auditors that the AC expects to be advised if there are any areas that require their special attention, including major findings of internal investigations and Management's response;
 - ii. to review any related party transactions that may arise within the Company or Group in complying with the MMLR;
 - iii. to review any allocation of share options pursuant to the Employees' Share Option Scheme (ESOS) granted to employees in the Group; and
 - iv. to consider and examine any other matters as the AC considers appropriate or as instructed by the Board of Directors.

The Terms of Reference has been incorporated in the Board Charter which is available on the Company's website.

3. SUMMARY OF WORKS PERFORMED BY THE AUDIT COMMITTEE

The key works carried out by the AC during the financial year ended 31 March 2016 comprised of the following:-

3.1 Financial Reporting

In overseeing the Group's financial reporting, the AC had reviewed the unaudited quarterly and annual financial results. The chronological details of the review conducted were as follows:

- (a) The AC reviewed the fourth quarter unaudited financial results for the FY2014/2015 at its meeting held on 27 May 2015.
- (b) The AC reviewed the annual audited financial statements of DRB-HICOM Group and Company for the FY2014/2015 together with the Statement of Directors' Responsibility and took note of the Report to Audit Committee from the external auditor, Messrs. Ernst & Young at its meeting held on 8 July 2015.

- (c) The unaudited quarterly financial results for the first quarter, second and third quarter for the FY2015/2016 were reviewed at the AC meetings held on 26 August 2015, 25 November 2015 and 24 February 2016 respectively.

This includes the review on the announcements of the financial results to Bursa Malaysia prior to recommending to the Board for approval. The review was conducted to ensure that the financial reporting and disclosure were in compliance with:-

- Provisions of the Companies Act 1965;
- MMLR of Bursa Malaysia;
- Applicable approved accounting standards in Malaysia; and
- Other legal and regulatory requirements.

The AC review also focused on any changes to accounting policies, practices and significant audit adjustments. The review and discussion by the AC were carried out together with the Group Managing Director and the Group Director, Financial Services.

3.2 Risks And Controls

The AC evaluated the overall adequacy and effectiveness of the system of internal controls through review of the work performed by both internal and external auditors as well as discussions with the Management. The AC also reviewed the Statement on Risk Management and Internal Control and Statement on Corporate Governance prior to inclusion in the Company's Annual Report. The AC in its meeting held on 8 July 2015 reviewed and recommended the Statement on Risk Management and Internal Control together with the Statement on Corporate Governance for publication in the 2015 Annual Report of the Company to the Board for approval.

3.3 External Audit

- (a) The AC deliberated with the external auditors the results of the audit of the annual audited financial statements for the financial year ended 31 March 2015 and their Report to the Audit Committee and the Management responses at its meeting held on 8 July 2015.

- (b) The AC reviewed and approved the Annual Audit Plan with the external auditors including their terms of engagement and scope of work for the statutory audit at its meeting held on 24 February 2016. During the meeting, the external auditors affirmed that Messrs. Ernst & Young and all members of its engagement team have maintained their independence in accordance with the provisions of the By-Laws and Professional Ethics, Conduct and Practice of the MIA.

In tandem with the recommendation of the MCCG 2012, the AC has also obtained written assurance from the external auditors confirming their independence.

- (c) The AC reviewed the terms of engagement for the external auditors in respect of the review of the Director's Statement on Risk Management and Internal Control for the financial year ended 31 March 2016 during its meeting held on 24 February 2016.
- (d) The AC reviewed the proposed re-appointment of the external auditors for the Company and recommended their re-appointment and fees for the Board approval.
- Messrs. Ernst & Young which have been the Company's external auditor since 2011 was recommended for re-appointment for the ensuing year. The financial year ended 31 March 2016 marked its 5 years of engagement.
- (e) The AC reviewed on the non-audit services provided by the external auditors. During the year under review, the Company engaged the external auditor for several non-audit works involving taxation, quarterly reviews and others. Details of non-audit fees incurred by the Company for the financial year ended 31 March 2016 are stated in the Additional Compliance Information of this Annual Report.
- (f) The AC held biannual meetings with the external auditors without the Management's presence on 2 separate occasions which were on 8 July 2015 and on 24 February 2016.

3.4 Internal Audit

- (a) The AC reviewed and approved the GIAD's Annual Internal Audit Plan and ensured that the principal risks, key entities and functions were adequately identified and covered in the plan. The AC approved the FY2016/2017 Internal Audit Plan at its meeting on 24 February 2016.
- (b) The AC reviewed the internal audit reports presented by GIAD at each AC meetings held on 27 May 2015, 26 August 2015, 25 November 2015 and 24 February 2016 respectively. This includes review on GIAD's activities with respect to:
- Status of audit activities as compared to the approved Annual Audit Plan;
 - Results of the scheduled, follow-up, investigative and special audits;
 - Adequacy of the Management's responsiveness to the audit findings and recommendations;
 - Status of the Internal Audit's Quality Assurance and Improvement Programme; and
 - Adequacy of the audit resources, training and development of the staff within GIAD.
- (c) The AC at its meeting on 8 July 2015 also reviewed and recommended the Audit Committee Report to the Board for approval prior to inclusion in the 2015 Annual Report of the Company.
- (d) The AC held private meeting with the Head of GIAD to review and discuss on the key internal controls and internal audit related matters on 8 July 2015.

AUDIT COMMITTEE REPORT

3.5 Related Party Transactions ("RPT")

The AC reviewed the recurrent related party transactions ("RRPTs") and RPTs of the Group to ensure compliance with the MMLR and that they were not favorable to the related parties than those generally available to the public and were not detrimental to minority shareholders. The AC had reviewed the RRPTs at all five (5) meetings held during the financial year ended 31 March 2016.

3.6 Others

The AC members attended relevant and continuing education programmes during the financial year under review. The AC members also attended the relevant trainings and visited various subsidiaries within the Group to acquire a better insight to the related businesses and operations. The details of the trainings attended and site visits conducted by the AC members are set in the Statement of Corporate Governance as contained in this Annual Report.

4. STATEMENT ON INTERNAL AUDIT FUNCTION

4.1 Roles And Responsibilities

The GIAD is an integral part of the assurance structure of the Group. The Division's primary responsibility is to provide an independent and reasonable assurance on the adequacy, integrity and effectiveness of the Group's overall system of internal control, risk management and governance process. However, those Group companies which are listed or regulated by Bank Negara Malaysia through Islamic Financial Services Act 2013 are under the purview of the AC and internal audit function of the respective company and financial institutions.

The Head of GIAD reports directly to the AC on a functional basis and to the GMD administratively. The Head of GIAD periodically reports on the activities performed as well as the key control issues noted by the internal auditors to the AC. The purpose, authority and responsibility of GIAD are reflected in the Internal Audit Charter, which is approved by the AC.

In order to maintain its independence and objectivity, GIAD has no operational responsibility and authority over the activities it audits. In determining the adequacy of audit scope and coverage, GIAD applies a comprehensive audit planning of the Group's auditable entities and functions by performing risk analysis and ensuring adequate resources in performing the audit.

4.2 Audit Resources

Effective 1 February 2016, the internal audit function of KL Airport Services Sdn Bhd ("KLAS") Group was absorbed into the internal audit function of DRB-HICOM Berhad.

The total staff strength in GIAD as at 31 March 2016 stood at 43 staff. This includes the staff from the internal audit function of PROTON Holdings Berhad as summarised below:-

No.	Entity	Manpower as at 31 March 2016
1.	DRB-HICOM Berhad	27
2.	PROTON Holdings Berhad Group	16
	Total	43

The AC approves the GIAD's annual audit plan, financial budget and manpower requirements so as to ensure that the function is adequately resourced with competent and proficient internal auditors.

During the financial year ended 31 March 2016, a total of RM5.84 million was incurred as part of the resource allocation for the Group's internal audit function, covering mainly manpower and incidental costs such as travelling and training as summarised below:-

No.	Entity	Total cost RM
1.	DRB-HICOM Berhad	3,911,074
2.	PROTON Holdings Berhad Group	1,931,807
	Total	5,842,881

GIAD also invested in various training programmes to maintain and enhance the desired competency level of the Group's internal auditors. The training programme, comprising in-house and externally sourced training, focuses on functional and developmental needs of the internal auditors.

4.3 Audit Works

GIAD adopts a risk-based approach as part of its audit planning and execution focusing on significant identified risks and effectiveness of the controls in mitigating the risks. GIAD is also guided by the internal policies, procedures as well as the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and Control Objectives for Information and Related Technology (COBIT).

The COSO's Internal Control – Integrated Framework outlines the components, objectives and principals necessary for effective internal control. Similarly, COBIT provides a framework to manage and control IT governance.

Activities of the internal audit function include review of the adequacy and effectiveness of internal controls and risk management, compliance with applicable laws and regulations, reliability and integrity of information and adequacy of safeguarding of assets.

During the financial year ended 31 March 2016, GIAD executed a total of 223 audits which comprised scheduled and ad-hoc engagements inclusive of special audits. The audit conducted covered a wide range of units and its related branch operations under DRB-HICOM Berhad, PROTON Holdings Berhad Group and KLAS Group of companies. Amongst the key areas covered for the financial year under review were:

- Procurement;
- Inventory Management;
- Logistic and Warehouse Management;
- Business Operations;

- Contract Management;
- Project Management;
- Human Resource Management;
- Financial Management;
- Asset Management;
- Management Information System; and
- Safety, Health & Security.

None of the components of the internal audit function were outsourced to external service providers. However, in certain areas where technical expertise is required, assistance from external experts will be sought through co-sourcing arrangements.

All findings from the internal audit reviews were reported to the AC, Senior Management and the relevant Management of the operating units.

The respective Management of the audited operating units is accountable to ensure proper handling of the audit issues and implementation of their action plans within the time-frame specified. Actions taken by the audited operating units were followed up by GIAD and the status updated in the subsequent audits.

4.4 Quality Management System

The GIAD continues to maintain its Quality Assurance and Improvement Programme covering its internal audit processes through the ISO 9001:2008 Quality Management System, which is subject to an in-house quality audit and external annual surveillance assessment by a certification body.

ADDITIONAL COMPLIANCE INFORMATION

(Pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR"))

UTILISATION OF PROCEEDS

During the financial year, the Company had undertaken three issuances of the Perpetual Sukuk Musharakah amounting to RM225 million and the total amount utilised as at 31 March 2016 is RM1.04 billion. The total amount of Perpetual Sukuk Musharakah Programme approved by the Securities Commission Malaysia on 27 November 2014 is RM2.0 billion.

The net proceeds arising from the issuance of the Perpetual Sukuk Musharakah (after the deduction of expenses incidental to the Sukuk Musharakah Programme) will be utilised for Shariah-compliant purposes which include the following:

- (i) the Company's investments (including amongst others, purchase of shares, lands, buildings and property; and development and construction costs and working capital of existing and future projects);
- (ii) provision of advances to the Company's subsidiary companies; and
- (iii) the Company's working capital, as well as refinancing of the Company's outstanding borrowings/financings that are utilised for Shariah-compliant purposes.

SHARE BUYBACKS

During the financial year, there were no share buybacks by the Company.

OPTIONS OR CONVERTIBLE SECURITIES

The Company has not issued any options or convertible securities during the financial year.

AMERICAN DEPOSITORY RECEIPT ("ADR") OR GLOBAL DEPOSITORY RECEIPT ("GDR")

During the financial year, the Company did not sponsor any ADR or GDR programme.

VARIATION IN RESULTS

The Company did not release or announce any profit estimate, forecast or projection during the financial year under review.

PROFIT GUARANTEE

During the financial year, there was no profit guarantee issued by the Company.

RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING IN NATURE ("RRPTS")

The Company did not seek for the shareholders' mandate on the RRPTS of the Group at the last Annual General Meeting.

Save as disclosed below, none of the RRPTS entered into by the Group during the financial year ended 31 March 2016 exceeded the thresholds prescribed under Chapter 10.09 of the MMLR which required announcement to be made to Bursa Malaysia and/or shareholders' approval:

- (i) On 28 April 2015, HICOM Builders Sdn. Bhd. ("HBSB"), effectively a wholly-owned subsidiary of the Company was awarded a construction contract by Northern Gateway Infrastructure Sdn. Bhd. ("NGISB") to undertake certain construction works for the proposed development of the Integrated Immigration, Custom, Quarantine and Security ("ICOS") Complex at Bukit Kayu Hitam, Kedah Darul Aman for a total contract value of up to RM50 million ("Contract").

Pursuant to the Contract, HBSB will provide financial assistance of up to RM20 million to its sub-contractors who will be appointed to undertake the relevant construction works in relation to the Contract.

Save as disclosed below, none of the other Directors, major shareholders and/or persons connected with a Director or major shareholder of the Company has any interest, direct or indirect in the Contract.

Encik Ahmed Kamil bin P M Mustafa Kamal ("AKMK"), a director in NGISB, is deemed a person connected to YBhg Tan Sri Dato' Seri Syed Mokhtar Shah bin Syed Nor ("TSSM"). TSSM, an indirect major shareholder of the Company through his major shareholding in Etika Strategi Sdn. Bhd. ("ESSB"), the holding company, was deemed interested in the Contract.

YBhg Brigadier General (K) Tan Sri Dato' Sri (Dr) Haji Mohd Khamil bin Jamil ("TSMKJ"), the Non-Independent Non-Executive Chairman of the Company, who holds 10% equity interest in ESSB is a person connected to TSSM and deemed interested in the Contract.

- (ii) On 16 November 2015, an announcement was made to Bursa Malaysia on the RRPTs between Motosikal Dan Enjin Nasional Sdn. Bhd. ("MODENAS"), a 81% owned subsidiary of the Company and Kawasaki Heavy Industries Ltd. ("KHI"), a 19% shareholder of MODENAS, as the aggregate RRPTs of RM89,170,916.55 from 1 April 2015 to 31 October 2015 had exceeded the 1% threshold prescribed under the MMLR.
- (iii) On 12 April 2016, another announcement on the RRPTs between MODENAS and KHI was made to Bursa Malaysia as the aggregate RRPTs from 1 November 2015 to 31 March 2016 of RM79,981,250.52 had again exceeded the 1% threshold prescribed under the MMLR.

SANCTIONS AND/OR PENALTIES

There were no material sanctions and/or penalties imposed on the Company and its subsidiary companies, Directors or Management by the relevant regulatory bodies during the financial year ended 31 March 2016.

MATERIAL CONTRACTS INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST

The particulars of material contracts entered into between the Company and its subsidiaries involving the Directors' and major shareholders' interest which are still subsisting as at 31 March 2016 or, if not then subsisting, entered into since the end of the previous financial year are as follows:

- (i) Land Status Swap Agreement ("Agreement") between Rebak Island Marina Berhad ("Rebak") and Northern Gateway Free Zone Sdn. Bhd. ("NGFZ") dated 21 December 2011 ("Proposed Land Status Swap") for a cash consideration of RM76 million.

The parties agreed to change the designation of 333 acres of freehold land owned by Rebak from Malay Reserve ("MR") to non-MR by swapping with the non-MR status of 350 acres of freehold land owned by NGFZ subject to the conditions imposed by Kedah State Government.

Save as disclosed below, none of the Directors, major shareholders of Rebak and/or the Company and/or persons connected with them has any interest, direct or indirect, in the Proposed Land Status Swap.

AKMK holds 1 preference share in NGFZ and is a director in Northern Gateway Sdn. Bhd. ("NGSB") and Benua Bayu Sdn. Bhd. ("BBSB") which are the holding company and intermediate holding company of NGFZ respectively. AKMK was a shareholder in HICOM Power Sdn. Bhd. ("HPSB") prior to the completion of acquisition of HPSB by DRB-HICOM on 30 October 2008. AKMK then held 1 ordinary share of RM1.00 each in HPSB in trust for TSSM, being the other shareholder in HPSB. As such, AKMK is deemed a person connected to TSSM.

TSSM, an indirect major shareholder of DRB-HICOM through his major shareholding in ESSB, the holding company, was deemed interested in the Proposed Land Status Swap.

TSMKJ, the Non-Independent Non-Executive Chairman of the Company holds 10% equity interest in ESSB is a person connected to TSSM and deemed interested in the Proposed Land Status Swap.

- (ii) A joint venture and shareholders' agreement between HICOM Builders Sdn. Bhd. ("HBSB") and MRCB Engineering Sdn. Bhd. ("MESB") and Dekad Kaliber Sdn. Bhd. ("DKSB") ("JVSA") dated 7 July 2015. DKSB is to undertake the sub-contracting works from an unincorporated joint venture represented by Zelan Construction Sdn. Bhd. ("ZCSB") and Kiara Teratai Sdn. Bhd. ("KTSB") for the proposed development of ICQS Complex ("Project").

Save as disclosed below, none of the other Directors, major shareholders and/or persons connected with a Director or major shareholder of DRB-HICOM has any interest, direct or indirect in the JVSA.

As at 16 March 2015, Employees Provident Fund ("EPF") holds 38.37% equity interest in MRCB and as at 1 July 2015 owns 8.13% equity interest in the Company. As such, EPF is deemed interested in the JVSA.

YBhg Dato' Ibrahim bin Taib, a Non-Independent Non-Executive Director of the Company is EPF's nominated representative on the Board of the Company is deemed interested in the JVSA.

ADDITIONAL COMPLIANCE INFORMATION

- (iii) A share sale and purchase agreement (“SSA”) between the Company and Enigma Permata Sdn. Bhd. (“EPSB” or “Vendor”) dated 26 November 2015 for the acquisition of 51% equity interest in Media City Ventures Sdn. Bhd. (“MCVSB”) comprising 51,000 ordinary shares of RM1.00 each in MCVSB (“Sale Shares”) for a total cash consideration of RM85.68 million (“MCVSB Acquisition”).

Save as disclosed below, none of the other Directors, major shareholders and/or persons connected with a Director or major shareholder of the Company has any interest, direct or indirect in the MCVSB Acquisition.

Encik Ahmad Zaed bin Saleh Hamdi (“AZSH”), a Director in Media City Holdings Sdn. Bhd. (“MCHSB”), which is the wholly-owned subsidiary of MCVSB, is deemed a person connected to TSSM, through his interest in the joint venture between ZCSB and KTSB for the construction of ICQS Complex. AZSH is a Director and major shareholder of KTSB.

ESSB is deemed interested in the MCVSB Acquisition through its interest in the Company. TSMKJ is a person connected to TSSM by virtue of his interest in the Company through ESSB and deemed interested in the MCVSB Acquisition.

YBhg Tan Sri Marzuki bin Mohd Noor (“TSMMN”) is the Senior Independent Non-Executive Director of the Company as well as a member of the Audit Committee of the Company. YBhg Dato’ Hilmi bin Mohd Noor (“DHMN”), a Director in Media City Development Sdn. Bhd. (“MCDSB”), a wholly-owned subsidiary of MCHSB is TSMMN’s brother. As such, DHMN is deemed a person connected to TSMMN by virtue of their family relationship and deemed interested in the MCVSB Acquisition.

NON-AUDIT FEES

The amount of non-audit fees paid/payable to the external auditors and their affiliated companies by the Group for the financial year ended 31 March 2016 are as follows:

	RM’000
Ernst & Young Tax Consultants Sdn. Bhd.	2,178
Ernst & Young	1,233
Ernst & Young LLP	277
Ernst & Young Advisory Services Sdn. Bhd.	90
	<u>3,778</u>

STATEMENT OF DIRECTORS' RESPONSIBILITY

in respect of the preparation of the Financial Statements for the financial year ended 31 March 2016

The Directors are required by the Companies Act 1965 ("the Act") to ensure that the financial statements prepared for each financial year give a true and fair view of the financial position of the Group and of the Company as at the end of the financial year and of the financial performance and cash flows of the Group and of the Company for the year then ended. As required by the Act and the Listing Requirements of Bursa Malaysia Securities Berhad, the financial statements have been prepared in accordance with Financial Reporting Standards in Malaysia and the provisions of the Companies Act 1965.

The Directors consider that in preparing the financial statements for the financial year ended 31 March 2016 set out on pages 144 to 312, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates and ensured that all applicable approved accounting standards have been followed.

The Directors have ensured that the accounting records kept by the Group and the Company have been properly kept in accordance with the provisions of the Act, which disclose with reasonable accuracy the financial position of the Group and of the Company.

This Statement is made on behalf of the Board in accordance with a resolution of the Directors dated 30 June 2016.

RISK MANAGEMENT

OVERVIEW

Despite the continuing uncertainties and challenges impacting global and regional economies in FY2016, DRB-HICOM Berhad has managed to remain resilient in executing its key initiatives and strategies towards achieving its business objectives. The implementation of such initiatives and strategies were realised through on-going improvements made towards the risk management methodologies, put in place to drive and embed a holistic risk culture and value creation into the mind-set of business entities across the Group. The Board of DRB-HICOM Berhad remains committed to ensuring the continual effectiveness in implementing risk management and internal control systems across the Group to achieve operational excellence without compromise to its core values. In realising this endeavour, the Group has adopted an enterprise-wide risk management process comprising the following key components:



RISK GOVERNANCE

In advocating good risk governance towards optimising long-term stakeholder returns, the Group continues to enhance its oversight capabilities in assessing uncertainties impacting the business environment, from changes in regulatory and financial requirements, to technological advancements and data security concerns, increasing global competition as well as on issues relating to human capital resourcing, development and retention.

To ensure continued sustainability and performance across all Business Sectors and Operating Units, the Group has adopted prudent, responsible and transparent governance, risk and compliance approaches to warrant continued resilience and agility in undertaking existing and new business initiatives.

In this respect, the Group has put in place a formal and structured Risk Management Policy developed in accordance with the principles and guidelines outlined under the Committee of Sponsoring Organisation of the Treadway Commission's Enterprise Risk Management Integrated Framework (2004) and the International Organisation for Standardisation's Risk Management

Principles and Guidelines (ISO 31000:2009). The policy defines risk management governance and structure, processes, accountabilities and responsibilities throughout the organisation.

The inculcation of a robust risk culture and understanding across the Group is crucial. It links the organisation's corporate objectives and goals to its primary risks, controls and action plans to allow for a comprehensive and effective assessment of events that have adverse impacts on the Group's core businesses.

The main underlying principles of the Group's Risk Management Policy are:

- Providing a policy and organisational structure for the management of risks that DRB-HICOM assumes in its activities;
- Defining risk management roles and responsibilities within the organisation and outlining control procedures to mitigate risks;
- Ensuring consistent and acceptable management of risk throughout the business;

- Defining a reporting framework to ensure effective communication of necessary risk management information to senior management and personnel engaged in risk management activities;
- Remaining flexible to accommodate the changing risk management needs of the organisation while maintaining control of the overall risk position;
- Detailing the approved methods for risk assessment; and
- Providing a system to accommodate the central accumulation of risk data.

BOARD RISK COMMITTEE

The Board Risk Committee (“BRC”), acting on behalf of the Board of Directors of DRB-HICOM Berhad, has a broad mandate to ensure the effective oversight, implementation and compliance of the objectives outlined in the Group Risk Management Policy of DRB-HICOM Berhad. The members of the BRC comprise three (3) Independent Non-Executive Directors, with the Group Managing Director, Chief Operating Officer, Properties & Services Sector, Chief Operating Officer, Automotive Distribution & Manufacturing Sector, Chief Operating Officer, Finance and Corporate, Head, Internal Audit Division and Head, Risk Management Division attending as invitees to the Committee.

RISK MANAGEMENT COMMITTEE

The BRC of DRB-HICOM Berhad delegates to the Risk Management Committee (“RMC”) the responsibility for creating a risk-aware culture and building the necessary knowledge for risk management at every level of management. The RMC shall also be responsible for ensuring the effective implementation of the Group Risk Management Policy, and the management of risks and controls associated with group operations as well as compliance to applicable laws and regulations. The RMC is responsible for periodic reporting of key risk exposures to the BRC.

The composition of the RMC comprises the Group Managing Director, Group Directors of the Business Sectors, together with Heads of the relevant Divisions as invitees.

DRB-HICOM BERHAD’S THREE LINES OF DEFENCE

In providing assurance on the effective implementation of the Enterprise Risk Management program, the Group adopts three distinct lines of defence to safeguard the business interest of the Group as illustrated below:



RISK MANAGEMENT

Sector and Business Units

Each Sector (and each operating company therein) is ultimately responsible for managing the key risks associated with its business and investments. All material and significant risks shall be identified, assessed, analysed, treated, monitored and reported in accordance with the Group Risk Management Policy outlined above.

Risk Management Division

Key personnel from Risk Management Division regularly and periodically conduct workshops and briefings to Divisions within the Corporate Office, Business Sectors and the Operating Units to facilitate and improve on the awareness of risk management as well as to inculcate the risk culture within each of the prescribed entities to strengthen their risk management oversight and process.

Internal Audit Division

Internal Audit Division is responsible in providing independent assurance through a systematic approach to evaluate and improve the effectiveness of risk management, control and governance processes throughout the entire organisation.

ENTERPRISE RISK ASSESSMENT

Key risks of the Group, at Business Sectors, Operating Units and Corporate Divisions, are critically assessed, validated and managed in accordance to the main categories set out below:

Business and Strategic Risks

Business and strategic risks arises from uncertainties impacting the execution of strategic initiatives deployed based on long and short-term policy decisions. These decisions are made in accordance with the business direction of the Group in enhancing performance and growth within the domestic, regional and global markets.

In this respect, the Group maintains its continued vigilance over evolving political, social, business and economic landscapes to ensure that changes are promptly identified, assessed and managed to preserve the uninterrupted implementation of those strategies associated with the Group's business objectives.

Human Capital Risks

The Group is acutely aware of risks impacting its human capital management programs. These risks, comprising attrition of talents, competencies and capabilities concerns, skills shortages, fragmented succession planning to mission and operational critical positions and less than optimal consequence management, threatens the sustainability and continued performance of business sectors and operating companies within the Group.

The Group's approach in managing human capital risks is through the execution of manpower rationalisation initiatives, followed by talent review and profiling sessions, inclusive of job mapping and level restructuring programs. These programs define and align the job accountabilities and responsibilities towards meeting the strategic goals and objectives of the Group.

In addition to the above, on-going programs, such as, talent attraction through local, regional and international career fairs and roadshows, workshops and clinics on skills profiling and knowledge development trainings as well as coordinated employee retention reviews with business sector representatives, are constantly and consistently carried out by Group Human Capital Division to provide a more holistic approach towards managing human capital within the Group.

Project and Investment Risks

Risks relating to investments for new business initiatives are critically identified, assessed, analysed and incorporated into proposal papers for deliberation by the Management of DRB-HICOM Berhad prior to approval.

These endeavours are critical in ensuring proper and adequate safeguards are in place to address and mitigate potential risks that may derail the eventual execution and realisation of investment objectives. The mitigation plans to manage the identified risks are then incorporated into the delivery value chain and closely monitored throughout the project or investment life-cycle.

FOREX and Interest Rate Risks

Uncertainties arising from FOREX and interest rate volatilities cannot be underestimated. In dealing with this risk, DRB-HICOM Berhad continues to implement its Group Foreign Exchange (FOREX) Policy which stipulates distinct measures in utilising appropriate hedging instruments to assess, manage and minimise foreign currency losses. The Policy is consistently reviewed and updated to reflect changing financial requirements and it is deployed to all business sectors and operating units within the Group for effective implementation.

Notwithstanding the above, the Group is equally mindful of changes in interest rate movements that will adversely affect revenue and profit contribution, particularly from the automotive and property markets. In this respect, appropriate detection mechanisms have been put in place to monitor and alert Management of such changes so that prompt measures can be initiated and acted upon expediently.

Liquidity and Funding Risks

Funding represents a key risk to the Group due to the extensive amount of capital required to finance new acquisitions and to mobilise existing and new projects. Concern in this area rests primarily on our ability to secure the requisite financing due to the imposition of single customer limit, breach of funding covenants set by financial institutions and down grade of ratings by credit agencies arising from our increased financial commitments to the banks.

The Group manages its funding risks by maintaining an optimal capital structure through detailed monitoring of financing and cashflow plans established by business sectors and operating units.

Constant engagement is carried out between Group Financial Services & Treasury Division, together with the business units and financial institutions to track the status of financing, which comprise,

amongst others, the issuance of corporate medium term notes and bonds, as well as drawdowns on syndicated loans and club deals.

Notwithstanding the above, the Group is constantly seeking new funding arrangements to further boost its financial capabilities towards driving new project initiatives in line with its long-term strategic business plan.

Reputation Risks

The Group acknowledges the impact of reputation risks towards eroding image and brand visibility. Reputational damage caused by negative media and publicity over the Group's business practices, conduct or financial condition will adversely impair stakeholders confidence, resulting in costly litigation and decline in customer base, business and revenue.

The Group manages its reputation risks through regular engagement and communication sessions with key stakeholders to disseminate relevant information regarding the conduct of the Group's activities.

Compliance checks and audits are carried out periodically to enforce the implementation of the Group's Code of Ethics & Conduct and Whistle Blowing Policy to curb incidences of fraud across all business sectors and operating units.

To further offset risks to the Group's reputation, ongoing enhancement towards the brand and image of the Group is performed through various Corporate Responsibility (CR) programs organised by Group Communications Division. Details of these initiatives are noted on page 132 in the Annual Report.

Notwithstanding the above, risk assessment is similarly carried out for new business initiatives undertaken by the Group. The assessment report, comprising identified risks and mitigation plans, forms part of the investment proposal paper reported to the Board of Management (formerly known as Management Committee), chaired by the Group Managing Director, for deliberation and approval.

RISK MANAGEMENT

RISK MITIGATION & MEASUREMENT

Risk Initiatives

The Group continues to expand and enhance on its risk management initiatives through risk review and validation sessions held across all Business Sectors, Operating Units and Corporate Divisions on a quarterly basis. These sessions are aimed at assessing the effectiveness and relevance of controls and management action plans implemented to mitigate the occurrence and severity of documented key risks. Action plans for all key risks are further assessed to ensure the timeliness of execution and are kept within resource limits.

Risk Appetite

The risk appetite defines the value and type of risks that the Group is prepared to accept in pursuit of its strategic business objectives. It stipulates the level of tolerance and limits established to govern and manage the Group's risk taking activities.

The Group's risk appetite serves as a benchmark for all Business Sectors, Operating Units and Corporate Divisions to develop risk tolerances and limits in accordance to their specific business/operational requirements and objectives. Monitoring of key risk exposures are then performed through the analysis of the risk tolerances set against monthly business and performance trends at the respective Business Sectors, Operating Units and Corporate Divisions.

Business Risk Clusters

DRB-HICOM Group Risk Management Division continuously introduces new and effective approaches in strengthening and enhancing the risk intelligence process through the establishment of business risk clusters. The risk clustering methodology provides a more holistic perspective towards providing a spectrum of key risk areas to be managed as illustrated in Diagram 1.0.

Key objectives to the risk clustering approach are:

- Providing a clear and direct linkage between risk and reward measurement by reconciling business objectives against identified key risks;
- Prioritising key risks to be managed through data analytics that provides quantified exposure values;
- Monitoring and assessing the adequacy, timeliness and effectiveness of action plans in managing pertinent key business risks;



- Anticipating future events/emerging risks via trend analysis;
- Performing statistical data analysis for better-informed decision making processes;
- Managing risks and assessing the relevancy of the risk appetites in tandem with changes to business environment and regulations;
- Nurturing and instilling concerted efforts in managing risks within specific business sectors;
- Fostering proactive risk management and risk awareness across the Group.
- Regular updates of new risks, controls and status of action plans by Business Sectors, Operating Units and Corporate Divisions;
- Digital confirmation and sign-off on all risks represented at the Business Sectors, Operating Units and Corporate Division levels on a quarterly basis;
- Quarterly presentation and review of Risk Management Board Papers at each Operating Units' Board of Directors meetings;
- Presentation, review and discussion of the Group's Top Key Risks by the Risk Management Committee on a quarterly basis; and
- Presentation of the Group's Top Key Risks to the Board Risk Committee as well as at the Main Board Meeting on a quarterly basis.

TRAINING & DEVELOPMENT

The Group continues to enhance its risk management capabilities across all Business Sectors, Operating Units and Corporate Divisions. Risk review and validation sessions, awareness programs and discussion forums are facilitated and conducted by Risk Management Division on a quarterly basis to ensure continued effectiveness in implementation of the risk management processes.

ENTERPRISE RISK REPORTING

The Group's Enterprise Risk Management Process provides for regular review and reporting. Such reports include an assessment on the significance of existing and emerging key risks impacting the Group's businesses as well as an evaluation of the effectiveness of controls and action plans put in place for additional controls. The key elements of the reporting process are:

- Quarterly validation, review and discussion of key risks, controls and action plans for all Business Sectors, Operating Units and Corporate Divisions;

MOVING FORWARD

DRB-HICOM Berhad is committed in implementing key initiatives towards embedding strategic risk management thinking as a business culture across all Business Sectors, Operating Units and Corporate Divisions within the Group.



A WORD FROM THE CHAIRMAN

“ We are driven to deliver the best and under the most demanding circumstances. ”

**Brigadier General (K) Tan Sri Dato' Sri (Dr) Haji
Mohd Khamil bin Jamil**

DEAR SHAREHOLDERS

It gives me great pleasure to present DRB-HICOM Berhad's (DRB-HICOM or the Group) Annual Report 2016 on behalf of the Board of Directors.

The financial year ended 31 March 2016 (FY2015/2016) was indeed a very challenging year for the Group as we were buffeted by both internal and external challenges. Global and domestic geopolitical and economic challenges impacted the Group's performance for the year. Some of the major challenges facing the Group have been well flagged – the slowdown of the Malaysian economy, the weaker Ringgit and the imposition of tighter lending regulations.

Changing business sentiments and consumer capacity to absorb our products and services meant that we had to review and make adjustments to our 5-Year Plan. High expectations had been set. Some of them were met, some were put on hold, some are still works in progress while some were not met.

Despite the instability in the market, our Management team performed admirably in the face of the demands of a difficult environment by putting in place mitigating strategies and continuing to take all necessary measures to ensure the Group's long-term sustainability. This was done through creating new synergies within the Group, driving new levels of service and product efficiencies and implementing prudent cost reduction management.

A WORD FROM THE CHAIRMAN

FINANCIAL PERFORMANCE

Our financial results for FY2015/2016 were delivered in a particularly challenging environment. Key influences on our financial performance, particularly on our Automotive sector were the significant movements in exchange rates with a weakening Ringgit and the more stringent lending guidelines. The movements in exchange rates led to diminished margins due to increased costs, mainly with regard to our international contracts for our Automotive sector. The stricter lending margins reduced demand, leading to lower sales. The weaker market sentiment also impacted the domestic property market, necessitating the delay in launching some of our property development projects.

In the wake of the difficult business landscape, DRB-HICOM reported a weaker financial performance for FY2015/2016. The Group recorded a pre-tax loss of RM821.27 million compared with a pre-tax profit of RM501.83 million the previous year. Total revenue similarly declined to RM12.17 billion from RM13.69 billion. We are thus recommending a single tier first and final dividend of 2.0 sen per share in respect of the financial year ended 31 March 2016, which is a reflection of the year's bumpy business conditions. The dividend is evidence of our commitment towards creating and delivering shareholders value and our appreciation for our shareholders' continued support and confidence.

CONTINUING TO DELIVER

Our performance during the financial year was mixed. We delivered a good performance particularly in our Services sector and our Defence division, but our Automotive sector underperformed due to diminished margins particularly for our imported cars and lower sales.

Notwithstanding, we continued to build on our sound foundation as we delivered a number of key development milestones during the year. Credit goes to our clear strategies past and present, and our strong vision and robust values for our Group. We constantly look to capitalise on the synergies between our businesses, seek new business opportunities, bring new services and products to the market and new ways of working across the business. We continually aim to generate profits and reward shareholders with a progressive dividend.

I wish to report that we have continued to make good progress to boost the growth and profitability of the Group. In July 2015, DRB-HICOM Defence Technologies Sdn Bhd (DEFTECH) was awarded a contract worth RM140.98 million to supply the state-of-the-art 4x4 High Mobility Armoured Vehicle (HMAV) to the Malaysian armed forces. In addition, our collaboration with Thailand's Chaiseri Metal and Rubber Co Ltd for the manufacture of the 4x4 indigenous armoured vehicles customised to Malaysian Infantry Standard, makes Malaysia the only country in ASEAN to form a long-term business venture with another country within the ASEAN group for the production of armoured vehicles. We also continued to fulfil our 2012 contract by delivering a further 16 units of our AV8 Gempita variant, an armoured wheeled vehicle, to the Malaysian army.



Further positive developments include CTRM Aviation Sdn Bhd (CTRM Aviation), a subsidiary of Composites Technology Research Malaysia Sdn Bhd (CTRM), signing a three-year contract worth RM18 million with Royal Malaysian Police Air Operation Force to supply, repair and overhaul components for its Cessna aircraft. CTRM Aviation was also granted in April 2015 an extension to its contract worth RM18 million for the repair, maintenance, fabrication and modification of composites material for aerostructure and non aerostructure assets owned by the Royal Malaysian Air Force.

Further, CTRM Aero Composites Sdn Bhd (CTRM AC) secured an extension of its contract valued at RM4.2 billion with UTC Aerospace System (UTAS). With this, CTRM anticipates additional average income of RM218 million from 2016 until 2030. CTRM AC further signed a contract extension with Spirit Aerosystems Inc. for the supply of aircraft composite components. The contract which is for 10 years, has a total contract value of RM3.24 billion. Added to that, CTRM successfully secured a doubling of its existing contract with Airbus, from RM6 billion to RM12 billion.

All these developments resulted in a 21.1% increase in CTRM's revenue for FY2015/2016 and will certainly augur very well for the growth and revenue contribution potential of our Defence Division to our Group.

Meanwhile, the Group's Automotive Distribution arm Isuzu Malaysia Sdn Bhd (Isuzu Malaysia) handed over 60 units of the customised Isuzu light duty trucks to Tenaga Nasional Berhad (TNB). This marked the first phase of the delivery of 200 units of these trucks to TNB over the next two years, in a deal valued at RM31 million.

Our Services sector is also poised to generate increased revenue for the Group with the addition of DRB-HICOM Asia Cargo Express Sdn Bhd (ACE) to our Group. This has enlarged our capabilities in the provision of logistics services and we are now the leading entity in the country offering end-to-end logistics solutions for business and individual customers.

In addition, the launch of our first Roll-On/Roll-Off (RoRo) vehicle carrier vessel, MV Zarah Sofia represented yet another milestone achieved during the year and marked a step forward in the expansion and integration of our logistics business as we are now able to offer our automotive customers an integrated package of sea, land and air logistics services.



Further, PETRONAS' award of a three-year contract worth USD52 million to Malaysian Shipping Agencies Sdn Bhd (MSA) for the provision of freight forwarding and associated services for its Refinery and Petrochemical Integrated Development (RAPID) project in Pengerang, Johor, represents growing confidence in our logistics capabilities, adding value to our customers' businesses across the shipping, forwarding, transportation and warehousing spectrum.

Another significant milestone was International College of Automotive (ICAM) being accorded university status and thus renamed DRB-HICOM University of Automotive Malaysia (DHU). It is indeed an achievement we are proud of as we now have in our stable of companies the only university in ASEAN to offer home-grown Bachelor's degrees, and Master's and doctoral programmes relating to the automotive ecosystem while also offering business and management programmes.

These positive developments during the year signify that despite the challenges we faced and a weaker financial performance, we still remained on track to growing stronger and remaining resilient.

A WORD FROM THE CHAIRMAN



LOOKING AHEAD

Next year is expected to remain challenging with not only new market demands but also new opportunities. Our strategy is to strengthen our base and seek new opportunities, focus on our vision and our profitability, and generating returns to our shareholders. We are driven to deliver the best and under the most demanding circumstances. We understand that success comes but with perseverance, endurance and a commitment to tenacity. Which is why our dedication to excelling in all areas manifests itself through our staying robust and resilient, no matter the circumstances.

Markets and the economy are constantly in motion. And we must pivot to stay in the game. So, for the future, we will focus on delivering an important pivot: that of creating a more valuable DRB-HICOM. Our strength lies in our being the most diversified business entity in the nation and in our solid foundation. Recognising this, we aim to capitalise on this diversity to fuel future growth and ensure our relevance. To this effect, we are ready to move into our next 5-year plan.

Our two phase strategy to effect a PROTON turnaround will be one of our top priority. The turnaround plan involves financial assistance of RM1.25 billion from the Government, geared towards helping PROTON in its turnaround efforts as well as to expand PROTON's domestic and international markets. I would like to express my sincere gratitude to the Government for the assistance which is crucial to our efforts to address as a matter of urgency, the underperformance of PROTON.

In addition, we will focus on further harnessing the synergies within the Group for further growth and to retain revenue within the Group. We will continue to stimulate growth through securing new strategic alliances and new areas of business expansion, and strengthening the capabilities of our Services sector to place it either on par with or to overtake our Automotive sector as the biggest revenue generator for the Group. All this will be in addition to continuing with prudent cost management, maximising production efficiency and innovation.

In conclusion, I would like to say that at the end of a tough year, we remain well positioned to deliver sustainable and profitable growth for the benefit of all our stakeholders. This is as we have continued to and will continue to build on our sound foundations.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I would like to express our heartfelt gratitude to all our shareholders, government regulators, vendors, partners and customers for your continued support and advice to the Group.

At the same time, I would like to take this opportunity to express our appreciation towards our former Chairman, YBhg Dato' Syed Mohamad bin Syed Murtaza and Director, YBhg Dato' Noorizan binti Shafie for their contribution and services rendered to the Company during their term of office.

I would also like to welcome YBhg Dato' Siti Fatimah binti Daud and YBhg Dato' Abdul Rahman bin Ahmad who were appointed to the Board effective from 1 April 2016 and 16 May 2016 respectively. We hope for their wise counsel and guidance to steer us in meeting the challenges that lie ahead.

Personally and as the Chairman of the DRB-HICOM Board, I would also like to thank all my fellow Board members for sharing their expertise and wise counsel in steering the Group. My gratitude also goes to our dynamic and forward-thinking Management team and to all our Warga DRB-HICOM whose hard work and dedication has been crucial to the Group.

Thank you.



Brigadier General (K) Tan Sri Dato' Sri (Dr) Haji Mohd Khamil bin Jamil

Chairman/Advisor

Non-Independent Non-Executive Director

GROUP MANAGING DIRECTOR'S REVIEW OF OPERATIONS



“ While the DRB-HICOM Group has stepped up efforts to improve the overall performance of our Automotive sector’s businesses, we have continued to actively explore and undertake other viable business opportunities including in the fast-growing logistics industry. ”

Dato’ Sri Syed Faisal Albar bin Syed A.R. Albar

During the Financial Year (FY) 2015/2016, DRB-HICOM Berhad (DRB-HICOM or the Group) faced headwinds from the turbulent global and Malaysian economy, impacting our financial performance. Particular among these were the weakening of the Ringgit, the lending guidelines imposed by Bank Negara, a slowdown in the rate of economic growth, increased costs which led to a reduction in our customers’ expenditure and weakened consumer sentiment.

Against this background, we remained resolute and resilient in growing our numbers and ensuring our sustainability, capitalising on our strength as being among the most diversified businesses in the country. We focused on continuing to develop new lines of businesses by leveraging the existing synergies within the Group of companies.

With the Automotive sector requiring heavy investment and providing a relatively low margin, we began looking into opportunities to expand our other businesses, particularly our logistics business, that offer higher margins, thus creating new areas of growth to increase our revenue streams.

GROUP MANAGING DIRECTOR'S REVIEW OF OPERATIONS

In keeping with our strategy, we have seen our growth supported by the enlargement of the business capabilities of our defence unit. Although the weaker economy meant a reduction in the Government's budget for defence, we mitigated this development by expanding into the maintenance-repair-overhaul (MRO) business for our defence unit.

CTRM Aviation Sdn Bhd, a subsidiary of Composites Technology Research Malaysia Sdn Bhd (CTRM), successfully moved into the provision of services for the repair, maintenance, fabrication and modification of composites for aerostructure and non-aerostructure assets owned by the Royal Malaysian Air Force and to supply, repair and overhaul components of the Royal Malaysian Police Air Operation Force's Cessna aircraft. Given the cyclical nature of this business, these developments will see a more sustainable revenue generation by CTRM for some years to come.

DRB-HICOM Defence Technologies Sdn Bhd (DEFTECH) diversified its business as well, by moving into the manufacture of civil vehicles through a collaboration with Alexander Dennis Limited (ADL) for the manufacture and assembly of single and double decker buses for Prasarana Malaysia Berhad. This is in addition to its existing production of armoured and other specialised security and reinforcement vehicles for the Government of Malaysia.

Meanwhile, our growth in the Services & Education sector was supported by our acquisition of DRB-HICOM Asia Cargo Express Sdn Bhd (ACE), which completed the integration of our logistics business through the provision of air cargo services.

The integration of services offered by Konsortium Logistik Berhad (KLB), KL Airport Services Sdn Bhd (KLAS), Pos Malaysia Berhad (Pos Malaysia) and ACE saw us grow into becoming the only logistics services provider in the country capable of providing end-to-end logistics solutions for business and individual customers and with the strong potential of becoming a prominent contender in the region.

Today, with five logistics services companies in our fleet, Pos Malaysia, KLAS, KLB, ACE and DRB-HICOM Auto Solutions Sdn Bhd, we are clearly well positioned to achieve our objective. We are confident of this as the country's services sector is projected to grow 5.4% in 2016 and increase its share to 54% of GDP from 53.8% this year.

The ongoing integration of services offered by KLB, KLAS, Pos Malaysia and ACE will also see the Group move into another new line of business, that of being a fulfilment provider for e-commerce players.



FINANCIAL PERFORMANCE

FY2015/2016 saw a weakened DRB-HICOM financial performance. Group revenue fell to RM12.17 billion from RM13.69 billion the previous year. The Group also incurred a pre-tax loss of RM821.27 million compared with a pre-tax profit of RM501.83 million the previous year. The Group's performance was affected by the reduced revenue contribution posted by number of companies in the Group particularly by companies in the Automotive sector.

Glenmarie Properties Sdn Bhd (GPSB), the Group's property development arm, also recorded a lower revenue of RM27.4 million, which fell short of the set target. This was due to lower property sales transactions resulting from weak market sentiment influenced by stringent loan requirements by financial institutions and current economic conditions.

On a positive note, revenue contribution from the Services sector rose during the financial year. Pos Malaysia posted revenue of RM1.7 billion for FY2015/2016, the highest in its history. CTRM recorded RM827.48 million in revenue, an increase of 21.1% compared to the previous year's RM683.45 million while KLAS registered a profit before tax of RM8.5 million. Alam Flora Sdn Bhd also registered RM90.79 million in profit before zakat and taxation in 2016, an increase of 13%.



STRATEGIC DIRECTION

While we anticipate a continuation of the challenges we faced this year as well as likely new challenges for the next year, we have put in place a number of strategies to propel the Group's growth in addition to lessening the effects of both present and future challenges on our businesses.

Our first 5-Year Plan which ended on 31 March 2016 focused on strengthening the fundamentals of our key business segments, building a complete end-to-end supply chain for each and ensuring they become self-sustainable and value creating entities.

Our next 5-Year Plan places emphasis on enhancing growth particularly through capitalising on existing and growing synergies between our Group of companies.

Additionally, our plan for the next five years will focus on streamlining our businesses particularly with regard to increased revenue contribution from our non-Automotive sectors. With the Automotive sector being extremely sensitive to economic conditions, we will focus on growing our other businesses to create new revenue streams in an effort to shift the position of the Automotive sector as our largest revenue generator.

Also included in the plan are the formation of strategic partnerships, strengthening of the Property sector and highlighting the capabilities of DRB-HICOM University of Automotive Malaysia (DHU) in marketing efforts to increase intake and further cement its position as a learning institution that produces immediately employable graduates.

Priority will be on our turnaround plan that we have embarked on for PROTON which has provided us with our biggest challenge. The government has provided us with financial assistance of RM1.25 billion. This will go towards maintaining the automotive industry ecosystem thus allowing PROTON to expand its domestic and international markets and hastening its overall recovery, as well as improving sales and competitiveness. In the pipeline are several new models for launch in the coming months ahead. This includes the newly launched Perdana. A new model produced in collaboration with Suzuki looks set to be in the market by the end of this year.

GROUP MANAGING DIRECTOR'S REVIEW OF OPERATIONS

AUTOMOTIVE SECTOR

Among the positive developments in our Automotive sector was the construction of the paint shop in May 2015 by HICOM Automotive Manufacturers (Malaysia) Sdn Bhd (HAMM) specifically for Mercedes Benz vehicles which will begin operation in February 2017.

I am very pleased to report that our non-passenger automotive business segments on the other hand, made significant achievements. DEFTECH showcased its latest state-of-the-art High Mobility Armoured 4x4 Vehicle at the Defence Services Asia 2016 exhibition in April. Under the contract awarded by the Government of Malaysia in July 2015 for the supply of 20 units worth RM140.98 million, the first unit is expected to be delivered to the Malaysian Army by mid-2016.

In addition, DEFTECH also rolled out its upgraded variant of the Condor Armoured Personnel Carrier (APC) as part of its proposed Armoured Re-manufacturing Programme (ARM) which involves refurbishment and upgrade jobs of its 400 Condors still in service. This would bring significant reduction of spending by the Army compared to buying new APCs.

The Condor APCs are supposed to be replaced by the AV8 Gempita 8x8 family of armoured vehicles built by DEFTECH as part of the army's strategic plan, but deliveries are slower than expected due to the government's reduced defence expenditure. With this, DEFTECH is expected to deliver the AV8 Gempita ATGW to the Malaysian Army by 2020.

DEFTECH also expanded its business with the provision of maintenance, repair and overhaul of military vehicles.

CTRM meanwhile, strengthened its strategic position in aerostructure manufacturing with the signing of the extension of the contract by its wholly-owned subsidiary, CTRM Aero Composites Sdn Bhd (CTRM AC) with Rohr, Inc., a UTC Aerospace Systems (UTAS) company and Spirit AeroSystems, Inc. (Spirit) in October and December 2015 respectively. The contract with UTAS will reap additional average annual revenue of RM218 million from 2016 to 2030, whereas the contract with Spirit will contribute RM320 million in revenue every year from 2016 to 2025. With the contract extension with UTAS and Spirit, the total overall contract value stands at RM11.9 billion until FY2030/2031.

CTRM Aviation Sdn Bhd (CTRM Aviation), a subsidiary of CTRM, signed a three-year contract worth RM18 million with Royal Malaysian Police Air Operation Force to supply, repair and overhaul components for its Cessna aircraft. CTRM Aviation was also granted in April 2015 an extension to its contract with the Royal Malaysian Air Force worth RM18 million for composites repair and composite engineering capability.



SERVICES & EDUCATION SECTOR

The Group has grown into the only logistics services provider in the country capable of providing end-to-end logistics solutions for business and individual customer. The addition of ACE to the Group and the launch of our first Roll-On/Roll-Off (RoRo) vehicle carrier vessel to transport the vehicles of our customers to East Malaysia was amongst the highlights of the year. The integration of the services provided by KLAS, KLB, ACE and Pos Malaysia will be ongoing and will be enhanced with the expansion of the Group's business as a fulfilment provider for e-commerce players, leveraging the synergy between Pos Malaysia and the transshipment capabilities of ACE.

Pos Malaysia meanwhile is proud to have recorded the highest revenue in its history. The main driver of growth was Pos Malaysia's courier and transshipment businesses. This growth is anticipated to be further driven by its move into the e-commerce business as a fulfilment provider.

As for the Group's non-logistics businesses, International College of Automotive Malaysia (ICAM) has been granted university status and is now known as DHU, the only university in ASEAN to offer home-grown Bachelor's degrees, Master's and doctorate programmes relating to the automotive ecosystem in addition to business and management programmes.

Alam Flora Sdn Bhd currently provides solid waste and public cleansing management within the concession areas of the Federal Territory of Kuala Lumpur, Putrajaya, and Pahang. In addition, it has expanded its non-concession businesses such as collection of industrial, commercial and institutional waste (ICI), collection of renovation & construction waste (RCW), recycling, collection and management of scrap materials, landfill management and further diversified its business activities to integrated facility management services (IFM) and solid waste facilities management such as operation and maintenance of transfer station and leachate treatment plant.

With these developments, we are optimistic of a sustainable future for our Services & Education sector.

PROPERTY, ASSET & CONSTRUCTION SECTOR

The Group has been seen as a developer of choice, with its product offerings expected to appreciate significantly in market value. However, the Property, Asset and Construction sector's revenue for the year fell short of target, affected by weak market sentiment influenced by stringent loan requirements and current economic conditions. Some projects had to be delayed and due to the slow take-up of high-end property, the design of these homes are reconfigured to meet market expectations.

Nonetheless, we remain confident of the future performance of this sector, given that most of our land banks are in prime growth areas that are the target of prospective buyers i.e. well-developed and connected locations with public transportation facilities. Furthermore, we focus on product design, competitive pricing and product differentiation with a strategy of "selling what the people want to buy".



GROUP MANAGING DIRECTOR'S REVIEW OF OPERATIONS

DEVELOPING OUR TALENT

We recognise the importance of our human capital to function and accomplish our goals and that they are the most valuable part of our plans to move our business forward. As such, our emphasis on developing our human talent hinges on our philosophy of Identify, Acquire, Develop and Retain.

Our various talent development, learning and training initiatives provide our staff with opportunities to grow their careers within the Group. Our Top Talent Development Programme aims to elevate leadership competency and create an experienced and trained talent pool for us to draw upon to assume leadership roles as they become available while our mentor-mentee programme ensures the transfer and retention of tacit knowledge to the benefit of the Group.

Another one of our programmes, the DRB-HICOM Management Trainee Programme (DMTP), is a fast track development programme for fresh graduates to develop and build their careers in DRB-HICOM from executive to manager level and represents one of our initiatives to create a highly skilled internal talent pool at all levels.

All these are in addition to our Organisational Learning (OL) Programmes for continuous learning and development of the skills and knowledge of our employees.



GIVING BACK

Corporate Responsibility (CR) activities are a core and inseparable component of our overall service and product offerings. Our overall aim is to achieve a positive impact on society as a whole while maximising the creation of shared value for the owners of our business, our employees, shareholders and stakeholders.

Our various CR activities include supporting the development of the community through education, providing aid to the needy and underprivileged, supporting the arts and conservation of the environment. You will find details of our CR activities during the year in the relevant section.

One of the thrusts of our CR activities is to play our role in nation building through the development of education. To this end, we contributed a further RM1 million during the year to Tabung Pendidikan 1 Billion which was established in June 2014 to elevate the education level of bumiputera students. We also continued with our programme of offering academic scholarships at DHU. As for the children of our staff, we had our yearly programme to recognise and provide motivation to the children of Warga DRB-HICOM who obtained excellent results in the PT3, SPM and STPM examinations.

Helping underprivileged children is part of our CR ethos. To support our efforts in this initiative, we contributed one unit of Proton Exora



to Rumah Amal Kasih Bestari, an orphanage based in Kampung Melayu Subang to help them ferry the children to and from school. We also provided back-to-school aid for children from selected orphanages.

In addition, we have always provided aid to victims of natural disasters. Last year, we organised a relief mission to Gua Musang to provide clinical services to flood victims as a joint effort between Wakaf Selangor Muamalat and KPJ Damansara Hospital. A total of 26 volunteers were involved and 300 flood victims were given treatment.

In caring for the nation's senior citizens, during the year, we donated medical equipment worth RM15,160 to Rumah Ehsan, Kuala Kubu Baru. Rumah Ehsan is a hospice for senior citizens.

All these represent just a fraction of our overall CR initiatives.

LOOKING AHEAD

Market information reveals that the global economy is expected to remain somewhat sluggish. The Malaysian economy is anticipated

to face a challenging environment due to a continued plunge in commodity export prices, foreign exchange market turbulence and a slowing Chinese economy. And on the domestic front, the depreciation of the Ringgit, increased federal government and household debts, and rising probability of default present a cloudy economic outlook.

However, we are optimistic. Our outlook for the future is bullish especially as we have identified and will continue to identify new areas of growth and generate new revenue streams, and with the expansion of our non-Automotive businesses, in particular our logistics business, we are positive of the Group's expansion. We are thus confident that our resilience and resoluteness will help us weather the challenges that may lie ahead.

ACKNOWLEDGEMENT

My special thanks go out to the government authorities, our vendors, partners, customers and shareholders for without your continued support and confidence in our capabilities, we would have not been able to come this far.

I would like to thank the Board of Directors for contributing their wise counsel and expertise in the various areas for DRB-HICOM's continued business sustainability and profitability.

In particular, I would also like to extend my sincere thanks to Brigadier General (K) Tan Sri Dato' Sri (Dr) Haji Mohd Khamil Jamil, the former Group Managing Director for his excellent stewardship in managing this large conglomerate into yet another Malaysian icon.

My deep appreciation goes to all our Warga DRB-HICOM who are our most valuable asset and whose hard work, dedication and commitment to the Group have helped us accomplish our goals and achievements through all the challenging times we have faced.

Finally, thank you to my colleagues on the Management team for their excellent teamwork in planning and executing our business strategies.



Dato' Sri Syed Faisal Albar bin Syed A.R. Albar
Group Managing Director



UNPARALLELED CAPABILITIES AND EXPERTISE

Varied capabilities and expertise ranging from manufacturing passenger, commercial and customised automobiles to production of armoured and logistics vehicles to aircraft components using cutting edge technologies.



AUTOMOTIVE SECTOR



DRB-HICOM's Automotive sector is the most comprehensive automotive business in the country, being involved in the entire eco-system of the automotive chain covering a wide range of vehicles from motorcycles, passenger, commercial, to customised vehicles. This chain includes vehicle design and development, component manufacturing, assembly, inspection, distribution, sales and after-sales service.

During the financial year under review, DRB-HICOM's Automotive sector remained the largest contributor to the Group's revenue. However, revenue and profits were affected by the lacklustre performance of the Malaysian automotive industry.

AUTOMOTIVE DISTRIBUTION

The capabilities of DRB-HICOM's Automotive Distribution Division are represented by 13 companies which distribute local and foreign-manufactured passenger cars, commercial vehicles and motorcycles.

The local motor industry performed only marginally better with sales of new motor vehicles in the country in 2015 recording a very slight growth of 0.3%. Total registration of new passenger vehicles in 2015 also grew slightly by 0.5%. However, the total registration for commercial vehicles declined by 3.5% mainly attributed to companies cutting back on capital expenditures.

AUTOMOTIVE SECTOR

Automotive Corporation (Malaysia) Sdn Bhd (ACM)

ACM is a dealer for Isuzu trucks in Malaysia. ACM's business performance during FY2015/2016 was impacted by the adverse economic scenario, the government's budget cuts and stringent loan approval. The price war among dealers and discounting to close sales further eroded the trade margin.

Total vehicle sales for ACM was at 1,410 units. This was mainly due to non-realisation of fleet sales as a result of heavy discounting by other dealers, undercutting by spotter sales, and budget constraints faced by most companies, which affected their purchase decision.

Retail sales were also stifled by market uncertainty and stringent loan approvals causing small/medium enterprises to defer or even cancel new purchases. The developments were in tandem with the decrease in total industry sales volume.

Strategies put in place to mitigate the situation included a continuous improvement programme which focused on continuing to strive for service excellence and being cost efficient without sacrificing productivity, creating customer loyalty and business retention, and other initiatives to further enhance business efficiency and performance standards in the long-term.

ACM's action plan for the next financial year is expected to increase sales and achieve targeted KPIs. The plan includes a strong focus on retail, retail fleet and intercompany business, more control on discounts, greater emphasis on cost control and increased efforts to promote its parts business with higher margins.

DRB-HICOM Auto Solutions Sdn Bhd (DHAS)

DHAS provides end-to-end logistics solutions for the automotive industry, from the import of completely built up (CBU) vehicles and completely knocked down (CKD) kits to the final delivery of vehicles to the dealer network. DHAS also conducts pre-delivery inspection (PDI) for nine imported vehicle makes, namely Audi, BRP, Honda, Isuzu, Jeep, Mitsubishi, Suzuki, Tata and Volkswagen. In addition, DHAS also provides accessory installation services for both CBU and CKD cars at its PDI centres in Pekan, Pahang and in Shah Alam, Selangor.

Declining industry trends affected DHAS' performance during FY2015/2016. Importation of CBU units from franchise holders was at 17,432 units in FY2014/2015 as against 11,824 units in FY2015/2016 due to the weakened Malaysian Ringgit resulting in higher vehicle cost. The CKD kits importation business for Volkswagen in FY2015/2016 also dropped as a result of carry over stock from high production volume in FY2014/2015.

However, DHAS continued with its strategic initiative to step up capacity building for the yard management business to cater for current and future space requirement by franchise holders under DRB-HICOM Group, namely Lotus, Audi, Volkswagen, Jeep, Honda, Mitsubishi, Suzuki, Isuzu and Tata.



Currently, DHAS has established itself as the largest vehicle yard operator in the country with 140 acres of land to be used for vehicle storage, pre-delivery inspection and vehicle accessories installation activities.

DHAS also made the move to streamline its operations by completely taking over the outsourcing of forwarding and clearance business from agents and performing the activities in-house for CBU vehicles/CKD kits as part of one-package business solution to franchise holders, and performing centralised Extended PDI for Volkswagen CKD vehicles at its Vehicle Preparation Centre in Pekan.

Within the DRB-HICOM Group, DHAS made the strategic move to leverage on synergy with KLB in haulage and the forwarding and clearance of air freight. DHAS will continue to work on creating more synergies with companies within the DRB-HICOM Group.

During the year, DHAS also continued with its continuous improvement programme, and formulated strategies and established specific targets for the next year to grow and expand its businesses.

DRB-HICOM Commercial Vehicles Sdn Bhd (DHCV)

DHCV is the exclusive distributor of Tata in Malaysia. To date, DHCV is backed by 13 sales and 16 service centres nationwide in the effort to reach out and provide better facilities for customers nationwide. As part of DHCV's commitment to ensure best quality service rendered to Tata vehicle owners, DHCV provides 24/7 breakdown assistance service throughout Malaysia and additional services such as accident repairs, spray painting, accessories fittings and periodic inspection service – smoke test, engine inspection and tyre checks.

On a positive note, the strategic and dynamic partnership between DHCV and Tata Motors will offer various synergies for all parties involved. This will keep pace with the market's demand for new and more technologically-advanced products. In this respect, the collaboration with Tata Motors will enable DHCV to build and deliver vehicles known for their superior quality through its CBU and CKD programme, ultimately contributing positively towards its financial position.

During FY2015/2016, DHCV stayed on track with its continuous improvement programme. Its introduction of the new Tata Ultra 1012, expansion of its sales network nationwide, leveraging on the synergy within the DRB-HICOM Group for the distribution of vehicles and brand development initiatives are all expected to improve financial performance in the next financial year.



AUTOMOTIVE SECTOR

Edaran Otomobil Nasional Berhad (EON)

EON is the exclusive distributor for Jeep in Malaysia. During FY2015/2016, EON's marketing strategy focused on its Jeep business by conducting various monthly campaigns and activities to increase brand awareness particularly in the Klang Valley and to boost sales which dipped due to the minimal growth rate in the SUV segment.

In the move to boost financial performance, EON will expand its Jeep business for the next five years with the introduction of four new models in the pipeline: Renegade 1.4L, the new Wrangler Sport (2 DR), the new C-SUV and the new Cherokee 7-seater. In addition, the next financial year will see the setup of an expanded sales network.

EON Auto Mart Sdn Bhd (EAM)

EAM is one of the 29 dealers for Mitsubishi Motors Malaysia (MMM) with the largest sales and service network spanning the country. With 10 outlets nationwide, EAM is the biggest contributor to the sales of the brand in the country. Awarded the Best Dealer Principal of the Year for FY2015/2016, EAM is resolute in its commitment to strive to greater heights. In terms of market share, EAM registered an increase of 1% to 23% with 2,369 units sold in FY2015/2016.

Retail sales continued to be very competitive during the year, due to heavy discounting by other dealers. The stiff competition was mitigated by fleet sales to Maxis and Sabah Electric, totalling 159 units.

The introduction of the All-New Triton and the newly enhanced ASX (compact SUV) models contributed towards the majority of total EAM sales with 1,771 units sold in FY2015/2016.

Moving forward into the next financial year, EAM will continue to increase its business presence in the fleet sector. Special focus will also be given into expanding the company's engagements in the sales of vehicles to the staff of DRB-HICOM and the Al-Bukhary Group of Companies. On the retail front, EAM will continue to engage in roadshows at prime locations to ensure continued brand presence.

Multi Automotive Service and Assist Sdn Bhd (MASA)

MASA's core business spans the areas of call centre outsourcing, towing and roadside assistance, membership management and loyalty programme operator. With over 250 panel service providers

nationwide, MASA is able to serve its clients from automotive and insurance industries covering internal and external corporate clients more effectively. FY2016/2017 will see MASA moving forward from the current business model into a new business model, which is managing a loyalty programme known as DRB-HICOM Elite Programme.

MASA recorded a higher revenue of RM5.69 million for the financial year ended 31 March 2016 compared to RM4.24 million for the previous year ended 31 March 2015 mainly due to higher membership volume, call centre management fees and towing revenue from our clients.

Pre-tax profit recorded was RM272,000 for the year ended 31 March 2016 compared to a pre-tax profit of RM175,000 for the previous year ended 31 March 2015. This was mainly due to increase in revenue and lower overheads in respect of personnel and marketing costs.

Euromobil Sdn Bhd (Euromobil)

Euromobil is now an authorised dealer for Audi from being its sole distributor in Malaysia.

The reduction in the loan approval rate, the end of Audi model lifecycle for one of the brand's main sellers, the Audi A4, and the new models launched by the brand's direct competitors, BMW and Mercedes Benz, contributed to a drop in Euromobil sales.

Due to the stiff competition from the brand's main competitors, Euromobil conducted an aggressive marketing plan throughout the year with attractive promotions and roadshows to elevate sales figures.

HICOM Auto Sdn Bhd (HASB)

HASB is an authorised dealer for Volkswagen. HASB's market share increased from 7.1% to 9.4% among the 16 authorised dealers nationwide. In October 2015, HICOM Auto Bayan Lepas ceased operations and in January 2016 HASB started operations of a 3S centre in Semenyih, strengthening its position in the Klang Valley.

HASB will launch a new 3S centre in Seremban in October 2016 in order to improve its ability to serve Volkswagen owners in Negeri Sembilan. Meanwhile, the Seremban and Cheras Service Centres were among the Top 10 Best Service Centres nationwide.

Honda Malaysia Sdn Bhd (Honda Malaysia)

During FY2015/2016, Honda Malaysia achieved No.1 position in the non-national segment, exceeding the budgeted 92,000 units.

Honda Malaysia also launched a new variant to its new CR-V and introduced a new generation of compact SUV named HRV during the year. This drove sales up to an increase of 14.8% with 95,403 units sold compared to 83,106 units last year.

Sales revenue for the year also increased by RM1.3 billion, up by 20.9% from FY2014/2015 with the Honda City as the major contributor followed by the newly launched HRV with 38.3% and 25.9% of the total units sold respectively.

In terms of operations, a total of RM48.9 million capital investment was fully utilised for plant expansion to ensure improved operational efficiency.

Meanwhile, as part of the company's vision to improve customer satisfaction and its customer base, Honda Malaysia put special focus on improving and expanding its dealer network. This included a new Honda East Malaysia regional office, training centre and a logistics hub in Kota Kinabalu, Sabah.

For the next financial year, Honda Malaysia targets to maintain the No.1 position in the non-national segment. In this regard, in addition to maintaining product quality and after-sales service, Honda Malaysia will continue looking for ways to increase its market share. This is expected to be achieved through the introduction of two new CKDs in 2016 with better technology and increasing localisation and specialisation of core functions. Honda Malaysia's specialisation of each core business activity will be heightened through the business expansion of its subsidiary, Honda Assembly Sdn Bhd, which has expanded into the manufacturing and assembly of automotive components in addition to the engines it supplies to Honda Malaysia.

Isuzu Malaysia Sdn Bhd (Isuzu Malaysia)

Isuzu Malaysia markets and distributes Isuzu commercial vehicles including the light-duty ELF trucks, medium-duty Forward trucks, heavy-duty Giga trucks, prime mover Giga Prime and the D-Max pick-up trucks.

Isuzu earned its distinction as the No. 1 truck in Malaysia in 2015 through its best-selling Isuzu N-Series light-duty trucks and Isuzu F-Series medium-duty trucks. In FY2015/2016, Isuzu trucks recorded sales of 6,364 units and achieved 41.2% of the market

share. Under the pick-up segment, Isuzu D-Max recorded total sales of 5,833 units in FY2015/2016 representing 10.6% of the market share.

Isuzu Malaysia expects the next financial year to be challenging due to a slowdown in customer demand in view of the projected slower economic growth of the country.

Nonetheless, Isuzu Malaysia aims to maintain its position as the market leader in the heavy-duty trucks segment while maintaining its position as the best-selling trucks in the light-duty and medium-duty trucks segments.

Moving forward, Isuzu Malaysia expects to increase its revenue in FY2016/2017 with the introduction of new models and variants for the Isuzu N-Series trucks and D-Max pick-up trucks.

Mitsubishi Motors Malaysia Sdn Bhd (MMM)

MMM is the official distributor of Mitsubishi Motors vehicles in Malaysia. MMM is represented by 56 showrooms (out of which 47 are 3S Centres) and 52 service outlets throughout Malaysia. In East Malaysia, MMM is represented by 13 showrooms (six in Sarawak and seven in Sabah).

In FY2015/2016 the company officially launched the all-new Triton pick-up truck and the all-new Outlander SUV. The all-new Triton is the fifth generation of a successful line of pick-up trucks that have been produced by Mitsubishi Motors for 37 years. The all-new Triton is also the best-selling model for MMM and is available in five variants in the Malaysian market. The introduction of the all-new Outlander SUV aims to cater to the growing demand of the SUV segment in the Malaysian market.

The Enhanced ASX Compact SUV was also introduced in 2015. The launch of the Enhanced ASX Compact SUV came with a new variant, namely the ASX 2.0 GL in addition to the ASX 2WD and 4WD variants respectively.

MMM was ranked number two for both J.D. Power Asia Pacific 2015 Sales Satisfaction Index (SSI) and Customer Service Index (CSI). This is an achievement for the company as MMM's commitment is to continue to provide a rewarding and positive customer experience from the first initiation of purchase to a satisfying after-sales service.

AUTOMOTIVE SECTOR

Motosikal Dan Enjin Nasional Sdn Bhd (MODENAS)

MODENAS is involved in the manufacture and assembly of motorcycles at its plant in Gurun, Kedah which has a production capacity of 120,000 units a year.

MODENAS continued to maintain number one position in the 100cc moped category with market share of 55% during the year. The total industry volume for motorcycles contracted by 14% in 2015, with sales dropping by 76,849 units. Despite the contraction, MODENAS improved its market share from 8% to 9% in FY2015/2016 while recording only a slight decrease of 7% in sales to 42,562 units.



In September 2015, MODENAS launched a sportier version of its CT model, the CT115S. The launch of this Euro 3-compliant model is in line with its strategic plan to become the number 1 brand by 2020. A number of other new models are expected to be introduced in the next financial year to complement the scooter and street bike segments.

Currently MODENAS is working on collaborating with foreign brands and manufacturers to capitalise on their expertise, and enhance its research and development including manufacturing capability.

New and more stylish models which meet the Euro 3 emission standard, will be introduced in the next financial year to capture a bigger share of the local motorcycle market.



PROTON Holdings Berhad (PROTON)

In the domestic market, PROTON recorded sales of 100,010 units in FY2015/2016.

During this period, PROTON increased its promotional activities which included ground activations, roadshows, above-the-line and below-the-line advertisements, tactical campaigns as well as continuous engagement programmes with customers and key stakeholders.



In addition, as part of its other initiatives to effect a turnaround, PROTON has put up a 5-year Business Plan in charting out the future growth of the company. The plan includes turnaround programmes scheduled over the first two years and transformation programmes for the medium term.

A series of new product development programmes are also underway under the main research and development (R&D) and strategic collaboration with a renowned global automotive company to improve the company's performance. A series of new and enhanced models are being scheduled for launch in 2016.

Concurrently, the revival of sales and after-sales services network are progressing as planned and PROTON is making continuous efforts to provide better services to consumers, focusing to enhance the ownership experience with the PROTON brand. The effort is spearheaded under the 'My New PROTON' campaign, which is about earning and maintaining people's confidence in PROTON. 'My New PROTON' is about fulfilling, and where possible exceeding, people's expectations via customer-centric attitude and programmes in all aspects of PROTON's operations.

As part of the turnaround plan, Lotus aims to be self-sufficient, enabled by the development of new models, global network expansion plan and the synergy with PROTON on technical collaborations.

Also, the recently announced collaboration between PROTON and Suzuki will enable both companies to fulfil customer expectations, particularly in terms of new product range and optimising sales and after-sales services outreach throughout the domestic market. Concurrently, the collaboration between PROTON and Honda has provided an opportunity for the company to introduce the new Proton Perdana to the market in 2016.

These initiatives will enable PROTON to enhance its brand competitiveness in the automotive industry.

Having posted RM5.2 billion in revenue for FY2015/2016, PROTON will continue to remain resilient and resolute in facing challenges and to remain competitive in the local automotive industry and facing regional competition, especially in South East Asia and the Middle East region.



AUTOMOTIVE SECTOR

DRB-HICOM Leasing Sdn Bhd (Mylease) DRB-HICOM EZ-Drive Sdn Bhd (AVIS)

Currently, two companies provide leasing and rental services, namely DRB-HICOM Leasing Sdn Bhd (DLSB) which holds the brand "Mylease" and DRB-HICOM EZ-Drive Sdn Bhd (EZ-Drive), which holds the AVIS franchise. DLSB and EZ-Drive both provide short and long term lease while EZ-Drive also provides short-term rental.

Capitalising on business synergy with the DRB-HICOM Group of Companies, international AVIS brand value, cost efficiency and competitive pricing, DLSB and EZ-Drive have undertaken certain strategic initiatives to emerge as among the top 5 players for corporate sector leasing in Malaysia within the last two years and are also slowly making their presence felt in the government sector, especially with the Performance Management and Delivery Unit (PEMANDU).

During the year under review, EZ-Drive added three stations (Kota Kinabalu, Kuching and Senai Airport) to make up a total 10 stations nationwide. EZ-Drive also undertook a number of programmes to capitalise on the AVIS international brand to enhance revenue and market share.

Further, since EON took over EZ-Drive, it has embarked on re-fleeting its entire fleet with the latest car models of various marques. To capitalise on the Group business synergy, the majority of the marques come from the DRB-HICOM Group of Companies.

Due to the deteriorating tourism industry, a re-fleeting exercise was done in a staggered manner to maintain a 55% utilisation rate and to maximise revenue per car. More focus was also placed on corporate leasing to compensate for the shortfall in the retail business. Nonetheless, the total fleet has grown from 214 units in FY2013/2014 to 2,060 units in FY2015/2016.

Despite the very challenging and competitive retail leasing sector and competitors offering large discounts, both DLSB and EZ-Drive delivered a commendable financial performance.

Going forward, with economic conditions forecast to remain subdued, a cautious expansion plan will be taken. Two key factors that will determine for station expansion is revenue maximising per car and achieving the 55% utilisation target rate.



DEFENCE

DRB-HICOM continued to play an integral role in developing and manufacturing armoured and logistics vehicles for the Malaysian Armed Forces. DRB-HICOM Defence Technologies Sdn Bhd (DEFTECH) continued to focus on the development of land specialised military and security vehicles. While its material manufacturing arm Composites Technology Research Malaysia Sdn Bhd (CTRM) expanded its presence in the aerospace and civilian sectors.

Despite of that, FY2015/2016 lacked the anticipated excitement forecasted the year before. The weaker performance of the Malaysian economy contributed to the slowing down of new defence and commercial project initiatives and also to the financial downward revision of existing contracted projects.

Both Defence (AV8 Project) and Commercial segments suffered sizeable allocation cutbacks, resulting in the consequent contraction of DEFTECH's earnings. On record, only the revenue from spare



DRB-HICOM Defence Technologies Sdn Bhd (DEFTECH)

FY2015/2016 presented a combination of opportunities and challenges for DEFTECH. Nevertheless, the defence economic segment continued to provide DEFTECH its main revenue catchment source through a hybrid of existing projects, repetition orders, MROs and new orders. However, the overall trend of DEFTECH's revenue generating participation in the defence and commercial sector remained sombre.

In FY2015/2016, DEFTECH in close collaboration with its business partners, aggressively pursued influencing potential customers/users with competitive products of choice and continued to whet their appetites for systems upgrades, replacement of block obsolescence and inventory up-scaling.

parts and MRO managed to deliver, on combined average, 30% more than the forecast figure.

Due to its contract value, the AV8 Project continues to dominate the existing DEFTECH business landscape contributing over 90% of DEFTECH's revenue.

Apart from the continued production of new whole units, DEFTECH has also been actively pre-occupied with the management of warranty services for the commissioned Gempita.

AUTOMOTIVE SECTOR

In FY2015/2016, 98 units of DEFTECH's mainstay product, the Handalan II, the robust troop and cargo carrying general purpose 3 Ton Truck were supplied to the Army, representing a 300% increase from the 2014 unit sales. Another 30 units were supplied to Royal Malaysia Police (PDRM) and one specially fabricated unit to Jabatan Kesihatan Negeri Johor.

Other vehicular platforms were also supplied to Kementerian Pertahanan (MINDEF) and various other agencies. These included three 44-seater buses to the Armed Forces HQ, one unit of coach bus to Pahang Football Association, and one unit of K9 Truck and six units of K9 Dmax to the Prison Department. In collaboration with Alexander Dennis UK, DEFTECH also delivered 37 units of Double Decker bus and 78 units of Single Deck bus to Prasarana Malaysia Berhad.

In entrenching DEFTECH's position within the widest possible chain as the prime defence and security contractor, Defence Services Sdn Bhd (DSSB), subsidiary of DEFTECH, continued taking the lead in being the premier military, commercial vehicles and equipment maintenance, repair and overhaul service provider.

With more than 20 years of proven track record in the defence industry, DSSB has been awarded to undertake MRO work for the Malaysian Army main battle tank Pendekar PT91M, Armoured Personal Carrier Adnan, HICOM Handalan 3 tonne trucks and the Isuzu Trooper. DSSB is also involved in provisioning, supplying and distributing spare parts for the Pendekar PT91M, Adnan, Handalan and PDRM Proton vehicles.

Within the AV8 Gempita production and integration chain, DSSB has been undertaking the manufacture of 110 turrets for these armoured vehicles and has, to date, delivered 16 units of turrets to the Pekan Plant.

FY2015/2016 also witnessed DSSB expanding its MRO business into the commercial sector through contracting in MRO works for Konsortium Logistik Berhad (KLB) central region for their 175 prime movers and 1,200 trailers. Efforts are also being taken on other new projects such as the MRO of Royal Malaysia Police (PDRM) and Malaysia Army Self Propelled Artillery (M109A5).

In widening its revenue catchment spectrum, DEFTECH embarked on two major initiatives that have begun to bear fruits.

DEFTECH's latest projects in the major land mobility programme, the AV4 - High Mobility Armoured Vehicle (HMAV), initiated in 2014, secured the supply of 20 units to MINDEF by the end of 2016. The First Unit Variant showcased at DSA 2016 after which the first batch of six units will be delivered to the Army in October 2016.

The second major initiative is the Armoured Remanufacturing Programme (ARM) of the RPZ Condor, Armoured Personnel Carrier (APC) vehicles which have seen operational service since 1980s and all 300 units are inching towards block obsolescence.

As a necessary first step in ARM and as a cheaper option to the purchase of new APCs, DEFTECH was commissioned to produce a prototype of the RPZ Condor upgraded. Concurrently, we began dedicating our efforts in paving the way for DEFTECH's ultimate securing of ARM for the whole fleet of Army's RPZ Condor in its stable.

Viewing the current and near-future trend and premised upon the continued sluggish economic scenario, DEFTECH's main efforts will be rigorously guided by two strategic imperatives:

- Retaining and expanding the span of current dominance in soft skinned/armoured vehicles supplier and MRO services, and
- Expanding business penetration into the aeronautical and other techno-based domains.

In expanding business penetration, DEFTECH continued making inroads into the aerospace, electronic warfare, optronics, system integrations and unmanned technology domains through its dedicated entities CTRM UST, CTRM Aviation and CTRM System integration in smart collaboration with established OEMs.

Listed among the ongoing key initiatives are the Hawk Upgrading Programme, the Maritime Patrol Aircraft, the M109A5 Self Propelled Howitzer, the enhancement of the Naval CB 90 craft, FLIR, the tactical UAV and Aludra Hexacop for the PDRM. These initiatives are in various stages of engagement with the prospective users, the ultimate realisation of which will enable DEFTECH to achieve the required degree of business diversification.

Internally, DEFTECH will continue its investment in strengthening the capacity to deliver faster, better and more cheaply.

Composites Technology Research Malaysia Sdn Bhd (CTRM)

CTRM, a subsidiary of DEFTECH, has already established itself as a Centre of Excellence for composites aerostructures for major global aerospace companies and aircraft manufacturers. Its business expertise spans the commercial and military aerospace and non-aerospace, general aviation and defence industries.

CTRM strengthened its strategic position in aerostructure manufacturing with the signing of the extension of the contract with UTC Aerospace Systems (UTAS) and Spirit Aerosystems Malaysia Sdn Bhd (Spirit) in October and December 2015 respectively with a total overall contract value until 2031 of RM11.9 billion.

On the national front, CTRM is poised to capture about 24% of the market share and contribute about 35% to the total employment in the Malaysian aerospace manufacturing industry.

For the financial year ended 31 March 2016, CTRM recorded RM827.48 million in revenue, an increase of 21.1% compared to the previous year's revenue of RM683.45 million. The increase in revenue was mainly driven by the performance of its main subsidiary, CTRM Aero Composites Sdn Bhd (CTRM AC), which contributed 97.4% of the total CTRM Group revenue. Profit before tax rose 120.7% to RM51.39 million over the previous year's figure of RM23.29 million.

The higher revenue recorded by CTRM AC was mainly due to the increase in sales volume during the year, particularly due to orders from Spirit, Korean Airlines (KAL), GKN Aerospace Deutschland (GKN) and UTAS.

As for CTRM, the higher revenue recorded was mainly due to the increase in sales to Airbus UK on A380.

FY2015/2016 saw CTRM further boosting its capabilities with its addition to its facilities in Melaka, a dedicated facility for Airbus A350 Fan Cowl programme which became fully operational in September 2015. This currently houses three Autoclaves (CTRM has 12 Autoclaves in total), the largest and one-of-a-kind in the world.

In addition, one new unit of Robotic Non-Destructive Testing (NDT) equipment, the first of its kind in Malaysia for through-transmission ultrasonic system, was added to enhance NDT's capability for complex geometry composite components inspection.

Moving forward, CTRM is set to grow further with the Aerospace and Defence sector expected to grow by 3.0% in 2016. Airbus has also projected a strong market outlook for the aerospace industry for the next 20 years with 32,600 new aircraft by 2034 with the value of USD4.9 trillion. Meanwhile, Boeing forecasted a higher demand of 38,050 new aircraft with value of USD5.6 trillion for the next 20 years to 2034.

As for the Asia Pacific region, the outlook for the Aerospace manufacturing market in Asia is positive with the industry having long term growth potential and strength.

Further, the main agenda on the Malaysian Aerospace Industry Blueprint 2015-2030 is for Malaysia to become the No.1 aerospace nation in South East Asia in 2030. The Blueprint has also stated the target revenue as RM55.2 billion with RM21.2 billion generated from aero manufacturing.

AUTOMOTIVE SECTOR

MANUFACTURING AND ENGINEERING

DRB-HICOM's Automotive Manufacturing and Engineering business division centres on the development of automotive and motorcycle components and assembly. Our original equipment manufacturer (OEM) parts are used by world renowned makes of cars, and strategically developed to support our own assembly and manufacturing lines as well as those of other car manufacturers.

HICOM Automotive Manufacturers (Malaysia) Sdn Bhd (HAMM)

HAMM is a manufacturer of foreign automotive marques and commercial vehicles. At present, HAMM assembles vehicles for Mercedes-Benz Malaysia Sdn Bhd (Mercedes-Benz C, E and S class, and the Actros), Volkswagen (Passat, Polo Notchback, Polo Hatchback and Jetta) and Mitsubishi Fuso (Fuso Light Duty and Heavy Duty trucks). For the financial year under review, HAMM assembled a total of 15,557 units.

In May 2015, HAMM commenced construction of its new paint shop to meet the higher painting specification by foreign OEMs. The paint shop will begin operation in February 2017.

FY2016/2017 will remain challenging for the company with the expected significant reduction in volume for its Volkswagen models and despite the introduction of new models for Volkswagen and Mercedes-Benz.

Nevertheless, to ensure business growth and sustainability, the company will initiate strategies which include, among others, to pursue potential business with new OEMs and intensify cost saving measures.

HICOM HBPO Sdn Bhd (HHBPO)

HHBPO designs and develops front-end modules (FEM) for Malaysian automotive OEMs. Its vehicle development and R&D programme is a collaboration with the HBPO GmbH technical teams to provide the advanced technology to be adopted into the design.

The company provides end-to-end services to customers from product development to production and delivery of FEM in order to give full benefits in modular technology product and lean production system.

During the financial year under review, HHBPO secured the FEM assembly of BMW 1-series, 3-series and 3-series GT and began FEM assembly for Proton Preve/Suprima in February 2016.

With regard to HHBPO's future strategy, for CKD operations, it will continue to engage with potential customers, namely Mercedes-Benz, Honda, Hyundai, Nissan, Mazda and other major brands for FEM modular assembly services. It will also continue to work closely with PROTON in developing new models and introducing new technology for the new models.



HICOM-HONDA Manufacturing Malaysia Sdn Bhd (HHMM)

The principal activity of HHMM is the manufacture and assembly of Honda motorcycle engines and components.

The 5% decrease in total industry volume (TIV) during the year impacted the sales performance of HHMM, with Honda recording sales of 85,126 units.

HHMM embarked on a new project during the year by selling the refurbished EX5 bikes purchased from Pos Malaysia to HICOM Polymers Industry Sdn Bhd (HPI). Total sales expected is RM1.9 million which will provide additional profit contribution of RM0.8 million.

Although the Malaysian motorcycle market is expected to shrink further by 2%, HHMM expects revenue for FY2016/2017 to improve. This is expected with continued collaboration with Boon Siew Honda to introduce new models and improvements on the quality of engines. Also, HHMM will continue to identify opportunities to add to its core business.

HICOM Diecastings Sdn Bhd (HDSB)

HDSB is a leading supplier of world-class aluminium die-cast products to some of the biggest names in the local and international automotive, motorcycle and related industries. Its clients include PROTON, Perodua, Robert Bosch Automotive Steering Malaysia (ASMY), Honda Malaysia, Mazda Japan, Magna Powertrain Canada, PT ADM Indonesia, and NSK Japan, among others.

With new business collaborations, HDSB is positive of its prospects for the next financial year. In addition, HDSB plans to diversify its businesses by embarking into export market development in automotive and non-automotive sectors apart from motorcycle engine development as another main revenue stream to ensure the company's sustainability and continuous growth.



AUTOMOTIVE SECTOR

HICOM-Teck See Manufacturing Malaysia Sdn Bhd (HTS)

HTS is a one-stop centre for plastic products and provides services including product design and development, injection moulding, module assembly, painting and chroming. HTS manufactures exterior and interior parts such as cockpits, bumpers, door modules and chrome parts.

Overall, HTS recorded a 19% decrease in sales mainly contributed by lower sales from PROTON and Perodua. Sales figures for its subsidiary in Thailand also dipped contributed by lower export sales and the slowdown of Thailand's domestic market. Despite the lower sales achievement, HTS managed to sustain its profitability due to planned cost savings activities.

Looking ahead, in spite of an expected challenging year, HTS remains optimistic, having secured a number of projects from various customers for the next financial year.

Besides focusing on the automotive industry, HTS will also strive to expand non-automotive sales after having successfully supplied non-automotive parts to the market. In view of this, HTS forecasts an increase in non-automotive sales in FY2016/2017. In addition, HTS plans to expand its business into aerospace components as part of its strategy.

HICOM-YAMAHA Manufacturing Malaysia Sdn Bhd (HYMM)

HYMM's business comprises the manufacture and assembly of Yamaha motorcycle engines and parts. During FY2015/2016, Yamaha increased its market share to 40%, up from 36% last financial year. To increase profitability and ensure relevance in the marketplace, HYMM has embarked on several initiatives such as reduction in material and manufacturing costs.

ISUZU HICOM Malaysia Sdn Bhd (IHM)

Established to spearhead the manufacturing and assembling of commercial vehicles in Malaysia for the domestic market, IHM is a manufacturer of commercial vehicles for Isuzu light-duty, medium-duty, heavy-duty and pick-up trucks.

IHM's turnover for FY2015/2016 totalled RM789.46 million, which includes the RM1.14 million in export sales of parts. During the financial year, IHM recorded a profit before tax of RM23.12 million with a total production volume of 13,511 units as compared to 12,346 units in FY2014/2015. IHM projects the production volume to increase to 14,252 units in FY2016/2017.

IHM will introduce new models and variants for the Isuzu N-Series trucks and D-Max pick-up in FY2016/2017. This is expected to increase revenue in FY2016/2017.

Miyazu (Malaysia) Sdn Bhd (MMSB)

MMSB is principally engaged in the development, manufacturing and sale of products and services relating to dies, moulds, jigs and stamping products. MMSB has established an export market to Thailand, Indonesia and India. Plans are underway to enter markets in Japan, US and Europe.

During the year under review, MMSB saw a drop in profits mainly due to higher costs. In view of this, MMSB has taken deliberate steps at cost reduction.

In FY2015/2016, MMSB managed to secure new projects from various customers such as PROTON, Perodua, Toyota Auto Body and other stamping companies in the automotive industry. Facing cost escalation especially due to increase in exchange rates, MMSB continued its drive to reduce costs.

Oriental Summit Industries Sdn Bhd (OSI)

The main player in the industry, OSI is the main chassis component manufacturer for front lower arms, rear axle suspensions, lever parking brakes, front and rear suspension modules for key OEMs such as PROTON, Perodua, Volvo, Toyota and VW. The company's production processes encompass stamping, welding, ED painting and assembly. OSI also has the technical capability to perform product and tooling design and to carry out product validation testing using in-house expertise. The company has the technical support of reputable overseas technical assistance partners such as Namicoh Co Ltd, Futaba Industrial Co Ltd, Akashi Kikai Industrial Co Ltd and Hiruta Kogyo Co Ltd.

Through its subsidiary, Faurecia-HICOM Emissions Control Technologies (M) Sdn Bhd (FHECT), a joint-venture with Faurecia Emissions Control Technologies, the world leader in exhaust system products, OSI has expanded its business in emissions control technologies products by securing new business from a major OEM.

Revenue for FY2015/2016 was lower mainly due to lower demand from major OEMs. However, this was partially offset by higher demand from Perodua and new business in the non-automotive sectors.

To grow revenue and profitability, OSI has plans for an expansion of its non-automotive business in addition to capitalising further on the opportunities in the existing automotive industry. OSI also plans to further diversify its business by embarking into truck mounted equipment assembly and expanding the business into the aerospace industry. These strategies are expected to provide additional revenue streams to ensure sustainability and continuous growth.

PHN Industry Sdn Bhd (PHN)

PHN is a Tier-1 supplier for body structure modules for PROTON, Perodua and Honda specialising in metal stamping, components assembly, roll forming and dies manufacturing. PHN's die manufacturing solution offers the full range of services from design to assembly and it produces dies for selected models of Proton and Nissan vehicles.

Strategies for the next financial year include developing potential new business, venturing into the electronic & electrical (E&E) business, focusing on product specialisation within core competencies, penetrating export markets like Japan and China and capitalising on the synergies within the DRB-HICOM Group.

MOVING FORWARD

DRB-HICOM's Automotive sector was impacted largely by the economic slowdown in the Malaysian economy and subdued global economic growth resulting from declining crude oil prices and the slower growth in China's economy. Further exacerbating the situation were the weakening of the Ringgit and the imposition of more stringent lending guidelines. All these contributed to a market contraction, higher consumer prices, and reduced consumer confidence, not only affecting industry sales but also the performance of DRB-HICOM's Automotive sector.

However, the Group has taken initiatives to mitigate the situation and to stimulate the growth of the sector. The sector has begun to put in place various initiatives to effect a turnaround. PROTON for one, has put up a 5-year Business Plan to chart the future growth of the company. In addition to PROTON, other companies within the sector have also embarked on leveraging on the available synergies within the Group's Companies, creating new synergies, developing new revenue streams, and enhancing efficiencies and capabilities. With the implementation of the various measures and strategies, the sector looks forward to achieving improved results in the next financial year and beyond.

PROVIDING SERVICES AND DEVELOPING SKILLS

A fully integrated logistics service provider offering end-to-end logistics solutions for business and individual customers while providing solid waste and public cleansing management, recycling and vehicle inspection services. With the only automotive university in ASEAN, the Group strengthens and supports the nation's automotive ecosystem by producing highly skilled professionals.



SERVICES & EDUCATION SECTOR

The Services & Education sector remains the fastest growing sector of the three business sectors of the DRB-HICOM Group. Initiatives to leverage on the synergies within the Group's companies, exploration into further opportunities and greater operational efficiencies have fuelled growth.

LOGISTICS

As logistics is an under-tapped industry in Malaysia and the region, opportunities exist for end-to-end solution providers. As reported by Malaysian Institute of Economic Research (MIER), the Malaysian logistics business has the potential to be worth more than RM200 billion by 2017. The industry is presently valued at only half that amount.

DRB-HICOM's logistics business is anchored by two flagship companies: KL Airport Services Sdn Bhd (KLAS) and Konsortium Logistik Berhad (KLB). These provide the first mile service of logistics and transport support while Pos Malaysia Berhad (Pos Malaysia) provides the last mile service. To further support the last mile service, in FY2015/2016 the Group added DRB-HICOM Asia Cargo Express Sdn Bhd (ACE) to its fleet of companies to provide air cargo services.

Today, with five logistics services companies under its umbrella, which are Pos Malaysia, KLAS, KLB, ACE and DRB-HICOM Auto Solutions Sdn Bhd (DHAS), the DRB-HICOM Group is well on the trajectory towards becoming a fully integrated logistics service provider providing an end-to-end supply chain management solution in Malaysia, with plans to expand into the region.



SERVICES & EDUCATION SECTOR

KL Airport Services Sdn Bhd (KLAS)

KLAS is primarily involved in the provision of aviation ground services that include ground handling, cargo handling, inflight catering, aircraft maintenance and engineering services.

The overall outlook for the aviation sector is expected to be moderate and to remain positive in 2016 as compared to 2015. World passenger traffic growth is expected to increase slightly from 6.7% in 2015 to 6.9% in 2016. However, the air cargo market will remain slow through 2016 due to stagnant world trade growth. Demand is expected to accelerate to 3% in 2016 from 1.9% in 2015, slightly ahead of GDP growth, which is set to average 2.7%.

KLAS registered a profit before tax (PBT) of RM8.5 million for FY2015/2016.

For FY2015/2016, KLAS handled 13,305 flights, 168,304 tonnes of cargo and 2,813,834 inflight meals in Kuala Lumpur. In addition, KLAS handled 16,435 flights and 24,315 tonnes of cargo in Penang. The figures represent an increase over the 12,781 flights, 137,084 tonnes of cargo handled in Kuala Lumpur, 4,535 flights, 23,245 tonnes of cargo handled in Penang and a total of 2.5 million inflight meals sold in the previous financial year.

During the financial year under review, KLAS made proactive moves towards the implementation of an entrepreneurial business model which embraces excellence.

To this effect, KLAS put in place a number of strategies in several areas to further develop the business and to manage the risks in view of the industry's uncertain environment. Top of the list is the Low Cost Carrier Terminal (LCCT) redevelopment into a mega logistics hub, which is expected to commence work by early 2017. In this respect, KLAS will implement new facilities and specialised product handling.

Further, the Inflight Catering Division is working towards enhancing productivity and efficiency and Human Resource will implement a 5-year Strategic Initiatives Plan aimed at facilitating a culture of excellence and innovation.

With regard to customer acquisitions, FY2015/2016 saw KLAS securing the following airlines as customers: Qatar Airways (ground handling and technical support for aircraft maintenance), Tigerair (ground handling and engineering), British Airways (technical support for aircraft maintenance), Air Mauritius (cargo handling), All Nippon Airways (ground handling), Air China (inflight catering), and China Southern Airlines (inflight catering). This brings the total number of airlines handled by KLAS to 48.



KLAS has continued to work on availing itself of the opportunities that will be afforded by low cost carriers such as Sichuan Airlines, Himalaya Airlines, Shanghai Juneyao Airlines and Shaheen Airlines planning to operate into KLIA.

To expand the business and to make it more competitive and adaptive for the 21st century, KLAS has also enhanced its handling capability and capacity and embarked on a series of quality improvement programmes to further improve its service quality.

During the financial year, KLAS also received a number of awards and recognitions. Among these were the Service Excellence Award and ASQ Highest Score in KLIA Awards 2014. In addition, KLAS Kota Kinabalu Station was awarded Quickest Turnaround Time within Cebu Pacific's international network by Cebu Pacific Airlines.

With regard to performance, KLAS is proud to report that yet again, its key performance indicators outperformed industry benchmarks as shown below.

Category	KLAS	Industry
Not more than 2 mishandled baggage per 1,000 passengers	1	2
Not more than 3 cases mishandled cargo per month	1	3
Not less than 98.5% on time departure	99.7%	98.5%

Specific targets set for the next financial year include focusing on key projects that place emphasis on synergy to maximise returns and generate benefit to the Group, creating new aviation related, non-ground handling related revenue streams, retaining the current customer base and improving revenue yields from existing customers, and maintaining a flexible structure and managing costs in consideration of the uncertainty in the business environment.

Konsortium Logistik Berhad (KLB)

KLB is an integrated logistics services provider. KLB comprises five business units: automotive logistics, haulage, freight forwarding, logistics, distribution and warehousing, and project logistics. To support its aspiration to develop into a leading centralised integrated logistics provider with the capability of transporting freight by land, sea and air, KLB has put itself on track by placing the company on the optimal path and direction to ensure long-term sustainability by identifying revenue growth drivers and restructuring costs.

With more than 30 years of experience in the logistics and transportation industry, KLB strives to stay competitive and to create more values along the supply chain for our clients. With the extensive capabilities that KLB can offer, it has good prospects to provide the related services and logistics that will add value and contribute to the logistics sector in Malaysia.

KLB has come up with its 5-year roadmap, the first stage of which saw the acquisition of new and key assets to strengthen its capabilities. Now in the third year of the roadmap, the focus has shifted to building up logistics solutions capabilities and specialisation, beyond the current five business units in order to penetrate new markets, to capitalise on synergistic opportunities with Pos Malaysia and to increase revenue by creating more revenue streams.

KLB's new operating model comprises:

- Logistics Solutions and Advisory: To become the industry expert in providing total logistics solutions in the target industries.
- Logistics Operations: To deliver the services with highest efficiency and cost effectiveness.
- Integrated Logistics Systems: To invest in an integrated system which links commercial, operations, support and customers together.
- Support Services: To provide strong support to both operations and commercials.

SERVICES & EDUCATION SECTOR

To overcome the challenges that arose in FY2015/2016, KLB activated mitigation and recovery action plans to set out the optimal path and direction to ensure its long-term sustainability. These included continuation of the 3-year Transformation Plan to identify and explore potential businesses to be ventured into, increased automation of operations, business and administration, continuous cost control and savings, implementation of continuous improvements and innovations, enhancement of technical competencies, business acumen, and leadership capabilities.

In addition to expansion of the sectors in which it currently operates through operational restructuring which will take effect in FY2016/2017, KLB aims to earn revenue beyond the current five areas of focus.

During the financial year under review, Pos Malaysia selected KLB as its transshipment hub for its network and in January 2016, Pos Malaysia awarded KLB with a transshipment counting up to 30 metric tonnes daily in KLIA.

Looking towards the future, among the growth drivers identified is the move into e-commerce logistics. DRB-HICOM Group's extensive network combined with the increasingly strong growth in e-commerce, provides the rationale for this move. In addition, DRB-HICOM Group has the capability providing linkages to customers via KLAS, KLB, ACE, Pos Malaysia and Bank Muamalat Malaysia Berhad.

Further areas of growth identified to be especially lucrative are the freight forwarding and warehousing sectors while among the new markets and businesses identified are petrochemical, defence, dangerous goods, waste, hazardous material, printed material, and aviation.

The future of the logistics industry in Malaysia remains healthy. As KLB has a strong footing, it is poised to move into top place. KLB's capacity building efforts in intensive capital expenditure allocation, streamlining information and communications technology processes and infrastructure, talent management initiatives in addition to the synergies within the diverse DRB-HICOM Group will drive double digit revenue growth and the realisation of our aspiration to be the undisputed No.1 logistics services provider in Malaysia for years to come.

DRB-HICOM Asia Cargo Express Sdn Bhd (ACE)

ACE was acquired by DRB-HICOM's KLAS Group in January 2015 and represents a strategic move towards becoming a fully integrated logistics service provider offering intermodal logistics solutions and end-to-end supply chain management.

Through ACE alone, the Group targets a revenue of not less than RM100 million each year, primarily from increasing aircraft utilisation and expanding its operations throughout the region.

ACE currently offers air cargo services between Peninsular Malaysia, Sabah and Sarawak with emphasis on reliability, safety and quality. Further, it is contracted as the main service provider for Pos Malaysia, for its courier and mail services between Peninsular Malaysia, Sabah and Sarawak.

ACE is now working towards providing services for other businesses. In this respect, plans are underway to set up freight forwarding offices in Sabah and Sarawak. ACE expects growth in this segment as it has gained recognition for consistent and reliable services.

In its aim to become a regional player, ACE plans to expand its fleet over the next five years to six aircraft from its current two Boeing 737-400 freighters, each with a capacity of 18.5 tonnes of cargo and a flying radius of 4.5 hours. ACE will purchase the next aircraft in 2016 and plans to expand its services into other Southeast Asian cities, with the first international flight launched within a month.

The International Air Transport Association (IATA) 2015 air cargo report forecasts a positive five-year outlook with 4.1% compounded annual growth rate. ACE, with the addition of the third freighter aircraft in 2016, will be able to extend its services beyond Malaysian shores, contributing to the growth of DRB-HICOM's logistics business.



Pos Malaysia Berhad (Pos Malaysia)

Pos Malaysia is proud to record consolidated revenue of RM1.7 billion for FY2015/2016, the highest in its history.

The main drivers of revenue growth were Pos Malaysia's courier, express and parcel business which generated more than RM500 million in revenue and also its transshipment business. Pos Malaysia is the foremost courier services provider in the country, with a leading market share.

To further drive growth and profitability, Pos Malaysia continued its strategy of focusing on supporting the growth of e-commerce fulfillment and logistics services due to the decline in the demand for traditional mail services. The emphasis of the strategy will be on Pos Malaysia as a fulfillment provider for e-commerce players, leveraging on synergy with the transshipment capabilities of ACE. Two main factors will drive Pos Malaysia's growth in this segment. One is its enormous reach, much larger than any other courier service providers in the country. Added to this, in the global context, being multi modal, Malaysia is well-poised for this development.

Pos Malaysia rolled out the Pos Retail System (PRS), an integrated counter services IT platform that consolidates a wide range of over-the-counter (OTC) services in a single front-end interface.

Prior to the roll-out of PRS, different IT platforms were required for the wide range of OTC services available at its post offices. The PRS, currently available at all post offices nationwide, is expected to shorten the transaction time for OTC services.

As for new products launched, Pos Malaysia and Gibraltar BSN Life Berhad launched Pos Hayat, an insurance protection cover with dengue-specific coverage. Other new products are EziPoz, a service that enables customers to shop directly from 350,000 merchants in the United States that do not ship outside of the U.S. and FlexiPack, a new pre-paid Pos Mel product catering to small packets for both domestic and international destinations.

In terms of global recognition, Pos Malaysia was awarded Brand of the Year 2015 in the Postal Services category by World Branding Forum at an award ceremony held in Paris, France. It also won the Social Media Excellence Award under the Logistics and Services category at the 2015 World Bloggers and Social Media Awards while on the home front, Pos Malaysia's Pos Laju won the 2015 Frost & Sullivan Malaysia Excellence Award for Domestic Express Service Provider of the Year. Pos Laju is the nation's preferred courier service provider, with the most extensive delivery network and touchpoints in Malaysia, and also the largest courier fleet in the country.

SERVICES & EDUCATION SECTOR

CONCESSIONAIRES

Alam Flora Sdn Bhd (Alam Flora)

Alam Flora currently provides solid waste and public cleansing management within the concession area which covers the Federal Territory of Kuala Lumpur, Putrajaya and Pahang.

Apart from focusing on the operational excellence of the current areas, Alam Flora is also aggressively pursuing its services to Kelantan in the next financial year.

In addition to the above concession business, Alam Flora's wholly-owned subsidiary, DRB-HICOM Environmental Services Sdn Bhd (DHES) undertakes the non-concession businesses such as collection of industrial, commercial & institutional waste (ICI), collection of renovation & construction waste (RCW), recycling, collection and management of scrap materials, landfill management and further diversified its business activities to integrated facility management services (IFM) and solid waste facilities management such as operation and maintenance of transfer station and leachate treatment plant.

In terms of financial performance, the Alam Flora Group registered revenue of RM727.32 million for FY2015/2016 and RM90.79 million in profit before zakat and taxation in FY2015/2016, an increase of 13%. Within the Services sector, Alam Flora was the biggest contributor to revenue during FY2015/2016, contributing RM700 million.

Alam Flora has completed all its obligations under the privatisation requirements which, among others are the purchase of new vehicles and machineries, distribution of bins, setting up of new depot and establishment of database system with a total investment of approximately RM350 million, undertaken from 1 September 2011 until 31 March 2016.

The company's 5-year roadmap for the concession business is to further reduce waste and to optimise the usage of any available resources in a more structured manner. Among the initiatives in this regard are productivity efficiency programmes and prudent cost management.

Despite the above cost control measures, the company is expected to further expand its business activities with solid waste management and public cleansing services in Kelantan, Terengganu and Tioman Island, and the establishment of new scope of work such as litter picking, kerbside washing and cleaning of traffic lights in the existing concession areas.

During FY2015/2016, the non-concession businesses of Alam Flora secured a number of key contracts:

- a) Integrated facilities management services and building cleaning services at PROTON, Honda Malaysia Sdn Bhd, CTRM Aero Composites Sdn Bhd, Pusat Mel Nasional, Menara MATRADE, Jabatan Kastam, KLIA, Glenmarie Golf Country Club, Setia City Mall, PUSPAKOM, Kementerian Komunikasi & Multimedia Malaysia (Media City), Jabatan Imigresen, UiTM, Pos Mel Nasional, The Curve, among others.
- b) Landfill management in Pahang.
- c) 3R recycling activities mainly in Putrajaya and Kuala Lumpur.
- d) Collection and management of scrap material from PROTON, OSI, Pelabuhan Tanjung Pelepas, Miyazu (Malaysia) Sdn Bhd (MMSB), PHN Industry Sdn Bhd (PHN) and DBKL.

For the next financial year, the total revenue from the non-concession business is projected to accelerate to RM110 million, an increase of 5% as compared to FY2015/2016.

The focus is to venture into integrated environmental-based business, non-traditional sectors such as seaports, airports, health care sector, factories and public amenities.

During FY2015/2016, to meet the service level requirements, Alam Flora established an efficient collection system encompassing the preparation of schedules for collection services, routing, provision of suitable vehicles, equipment and skilled manpower as well as collection method.

In addition, research and development continued its focus on automation and innovation to increase operational productivity.

In consideration of the need to have a proper vehicle monitoring system due to the large geographical coverage in implementing cleansing and collection services, Alam Flora introduced Alam Flora Integrated Monitoring Services (AIMS). This has helped improve operational efficiency and enhance service level quality. AIMS is also the source of the Supervisor Monitoring System, Vehicle Monitoring System and Customer Relations Management.

Among the targets set for FY2016/2017 include business expansion in Kelantan, optimisation of services through mechanical/automated means and embarking on best practices green technology.

PUSPAKOM Sdn Bhd (PUSPAKOM)

During the second tenure of PUSPAKOM's 15-year concession period, PUSPAKOM managed to prove and sustain the relevance of its vehicle inspection services to public customers despite the slowdown in the Malaysian economy during FY2015/2016. The forecast for 2016-2019 is continued tighter lending conditions, weak private consumption and a slowdown of the Malaysian economy leading to subdued growth in passenger vehicle sales.

As the vehicle inspection body entrusted by the Government to undertake nearly three million inspections annually for commercial and private vehicles throughout the country, PUSPAKOM continuously strive in the aspect of improvement, primarily automation of vehicle inspection operations as well as upgrading of vehicle test equipment and systems. This is in line with its efforts to ensure quality and transparency of its services to the benefits and safety of road users.

Since the past years, commercial vehicle inspection has contributed 60% of the total number of inspections in PUSPAKOM. Annual Total Industry Volume (TIV) for the past five years grew at an average of 3% and is forecasted to decrease by 1.4% in 2016. In 2015, TIV for both passenger and commercial vehicles registered a record number of 666,674 units from 666,487 units in 2014.

Registration of passenger vehicles increased by 0.5%, from 588,348 units in 2014 to 591,298 units in 2015. The commercial vehicles segment experienced a decline of 3.54%, from 78,139 units in 2014 to 75,376 units in 2015. Correspondingly, this development impacted the volume of commercial vehicle inspection at PUSPAKOM in FY2015/2016.

PUSPAKOM's net revenue in FY2015/2016 came in at RM133.3 million due to lower volume from initial inspection and special inspection due to the economic uncertainties and inflationary pressure that affected consumers' spending behaviour.

Similarly, non-concession revenue registered a reduction. This was mostly due to the shortfall in revenue from hire purchase inspection (HPI) and imported vehicle for customs (IVIC) by RM2.6 million and RM0.6 million respectively due to softening demand from customers and the gloomy economic situation. The HPI shortfall was mainly due to the tightening of lending guidelines for hire purchase loans, leading to a lower demand for HPI volume in the current financial year as compared to the corresponding financial year of FY2014/2015.

PUSPAKOM's net profit before tax was at RM3.5 million due to lower net revenue from non-concession business.

SERVICES & EDUCATION SECTOR



To ensure persistent high level of service delivery and quality and transparency of vehicle inspection services to customers, PUSPAKOM initiated implementation of the following in FY2015/2016:

- Handheld computer application to replace the manual recording process for visual inspection. This has proved to be effective, integrating the inspection process from the device directly to the system, thus eliminating human intervention.
- Staggered working hours to address long queue issues.
- Dedicated inspection centres to improve the traffic flow as well as enhance customers' convenience.
- Auto Appointment System for scheduled (routine) inspection, giving customers automatic notification of their next inspection date.

PUSPAKOM also continued with various improvement programmes regarding the existing initiatives currently in place for customers' convenience. These included extending the coverage of the Touch 'n Go facility for cashless transactions at identified branches and international accreditations and benchmarking programmes for application of new standards and vehicle technologies.

During the year under review, PUSPAKOM received several industry recognitions and affiliations. PUSPAKOM was appointed on the industry panel for the automotive sector to evaluate Occupational Skills Standards by the Department of Skills Development, Human Resources Ministry. It was also appointed as a Member of the National Committee for the implementation of the ISO 39001:2012 standard - Road Traffic Safety Management System in Malaysia by MIROS, and appointed as a Member of the National Committee for the development of Malaysian Standard for "Tint Film on Glazing of Road Vehicles - Methods and Requirements of Visible Light, Energy Transmittance of Solar Radiation and Other Related Factors" in light of World Health Organisation's (WHO) direction to enforce the standard globally.

Moving forward, PUSPAKOM will continue to intensify key activities for business improvement initiatives and strengthen its efforts to elevate service delivery to the customers.

PUSPAKOM's business improvement initiatives will include ongoing roadshows and media briefings in all regions, particularly to promote the services offered by Premier Services mobile operational units to high volume customers to secure more revenue from the Premier Services segment, promoting voluntary vehicle inspection (VVI) activities through corporate and stakeholders engagement i.e. promotional and incentive programme in securing sales of VVI vouchers for corporate clients and Government agencies, optimising cost containment and cash flow conservation, and developing other ancillary income.

OTHER SERVICES

Bank Muamalat Malaysia Berhad (Bank Muamalat)

Global economic activities remained subdued in FY2015/2016 as the recovery process continued to be hindered by a constant sharp fall in crude oil and other major commodity prices, tepid global trade, moderating growth in emerging economies as well as heightened volatilities in global financial markets. Although growth stayed uneven notably in emerging and developing economies, global growth is poised to recover modestly supported by anticipation of stabilising crude oil and commodity prices as well as further improvement in the US economy.

Despite the challenging external environment, the Malaysian economy grew by 5.0% mainly from modest expansion in external demand cushioned by resilient growth in domestic demand. The banking sector in tandem continued to experience low margins due to intense competition as well as heightened volatility in the market. Although operating conditions will remain challenging, the financial sector is anticipated to remain healthy with sound risk management, ample liquidity and strong capital buffers.

For FY2015/2016, Bank Muamalat recorded a profit before tax of RM167.2 million, an improvement over the previous financial year (FY2014/2015: RM122.0 million). Its revenue surpassed the RM1.0 billion mark for the third consecutive year, primarily driven by its stable financing growth.

For the financial year ended 31 March 2016, net financing grew 8.2%, parallel to the total banking industry's net financing growth of 7.9%, mainly fuelled by strong expansion in residential property with consumer financing contributing as high as 67% of the overall financing portfolio. Bank Muamalat charted an improved gross impaired financing ratio of 2.21% (end-March 2015: 2.48%). Bank Muamalat projects further improvements to the gross impaired financing ratio as it puts in place a more robust end-to-end credit assessment infrastructure by strengthening underwriting standards, refining credit risk policies and enhancing its recovery processes. The risk weighted capital ratio remained sturdy at 16.08% as at 31 March 2016 (end-March 2015: 16.12%) largely due to amortisation of the bank's subordinated sukuk.

On the back of a very challenging environment in the local and global financial markets in 2015, Bank Muamalat will continue to pursue moderate asset growth, strengthening its existing business whilst focusing on yield management and cost efficiencies through the development of its digital and transactional banking initiatives, product innovation, customer diversification and customer service improvements towards enhancing shareholders value.

HICOM University College Sdn Bhd (HICOM University College)

HICOM University College owns and manages DRB-HICOM University of Automotive Malaysia located in Pekan, Pahang and Akademi Saga (AS) which is in Shah Alam, Selangor.

SERVICES & EDUCATION SECTOR

International College of Automotive Malaysia (ICAM) was accorded university status by the Ministry of Higher Education Malaysia on 20 October 2015 and is now known as DRB-HICOM University of Automotive Malaysia (DHU).

DHU was officially launched on 21 February 2016 and His Royal Highness The Crown Prince of Pahang Tengku Abdullah Al-Haj Ibni Sultan Haji Ahmad Shah Al-Musta'in Billah was appointed as the first Chancellor of the university while YBhg Brigadier General (K) Tan Sri Dato' Sri (Dr) Haji Mohd Khamil bin Jamil was appointed as the first Pro-Chancellor.

DHU was established with the aim of strengthening and supporting the country's automotive ecosystem by producing highly skilled professionals in technology, engineering, business and management. In line with this, DHU's vision is to be ASEAN's Premier Innovation, Research and Education Institution for the Automotive Ecosystem and Sustainable Development.

DHU has proudly stamped its mark as the only automotive university in ASEAN to offer home-grown Bachelor's degrees, Master's and doctoral programmes relating to the automotive ecosystem. It also offers business and management programmes.

Currently, DHU offers two foundation programmes and nine diploma programmes. All programmes are fully accredited by the Malaysian Qualifications Agency (MQA). In addition, DHU offers five undergraduate degree programmes and four postgraduate programmes to meet industry and market demand.

AS on the other hand, is a vocational training institution focused on building skills for automotive sector operations. AS offers five programmes such as the Malaysian Skills Certificate (Sijil Kemahiran

Malaysia or SKM) from Level 2 to Level 4 and programmes registered under the Department of Skills Development, Ministry of Human Resource Malaysia.

The DHU campus is on a 42-acre site in Pekan, Pahang. The campus is equipped with facilities to keep pace with current needs, while practical training facilities simulate the actual working environment in line with the development of the industry. Once fully completed in 2017, the campus will be able to accommodate more than 7,000 students.

Graduates of DHU continue to be highly sought after, with over 90% of the 230 DHU students who graduated at DHU's convocation in February 2016 having already secured employment while some are continuing with further studies.

As for operations, HICOM University College saw a steady improvement in FY2015/2016. Full-time student enrolment at DHU is now around 1,000 while at AS is about 200.



HICOM University College is well positioned to further expand its operations over the next five years with DHU achieving full university status and AS able to offer both additional and more advanced vocational programmes. In the pipeline are further qualifications for the opportunity for rapid expansion in student enrolment.

In addition, greater emphasis on non-credit short courses and research grants will improve revenue for the company.

DHU's strategy is to rapidly increase its student numbers through an expansion in programme offerings with the intention to double over the next twelve months the current 10 programmes offered.

To ensure market acceptance and take-up, DHU is focusing on employability through programmes that emphasise quality, innovation, internationalisation and sustainability, all of which are

thrusts which mirror what has been laid out in the new Higher Education Strategic Blueprint.

DHU provides its students with holistic learning experience. Students are expected in particular to be actively involved in Corporate Responsibility (CR) projects as an integral part of their studies. Students have taken an active part in literacy programmes, community projects and soup kitchens.

In addition, students have highlighted the quality education and training offered by DHU by performing well at both national and international competitions, garnering over 30 awards for excellence.

MOVING FORWARD

The sector sees the creation of new synergies with other companies within the DRB-HICOM Group and the continued development of the e-commerce business as among the growth drivers.

Further, while strengthening fundamentals to build robust platforms to support future growth, the Services & Education sector will continue to seek out and seize new and available opportunities, boost its innovation initiatives to add to its offerings and enhance customer experience. The Services sector sees room for growth, expecting to overtake or at least match the Automotive sector as the biggest revenue generator for the DRB-HICOM Group.



DEVELOPER OF CHOICE

Offering lifestyle-oriented homes for the discerning, with businesses encompassing property development, asset management, hospitality and leisure.



PROPERTY, ASSET & CONSTRUCTION SECTOR

DRB-HICOM's Property, Asset & Construction (PAC) sector is an integrated real estate solutions provider involved in the property development, asset management, construction, hospitality and leisure businesses. PAC has always been a significant contributor to the Group's performance. With a Gross Development Value (GDV) of RM4.3 billion, it will continue to play an important role in the Group's performance for the foreseeable future. While the Group's business is in developing properties, its greater role is in developing lifestyle-oriented homes that appeal to the tastes of increasingly sophisticated buyers.

As a developer of choice, the Group's product offerings have always seen strong take-up rates even in challenging times and are expected to continue to be well-received and appreciate significantly in market value. This is well reflected in its first development in Johor launched in May 2015 that recorded 85% sales despite the current contracted property market environment.

PROPERTY

Glenmarie Properties Sdn Bhd (GPSB)

During the financial year under review, GPSB, the Group's property development arm, recorded a revenue of RM27.3 million. This was due to lower property sales transactions resulting from weak market sentiment influenced by stringent loan requirements.

Projects that were launched during the financial year under review are:

- i. Villa @ Glenmarie Gardens which is a signature project comprising 28 units of 3-storey Villa adjacent to the

Glenmarie Gardens development and was launched in May 2015 with an expected GDV of RM112.87 million. However, due to the slow take-up of high-end property, the project was redesigned to meet market expectations derived from feedback received. The project is now anticipated to be re-launched in Q3 2016 with the homes designed as contemporary homes with open plan living spaces and a golf course view.

- ii. Laman Glenmarie, the construction of the Phase 2B1 2-storey link houses which was completed in October 2015. The phase yielded a GDV of RM92 million with units priced between RM1 million and RM1.5 million.

All units have been sold in the final offering of Phase 2B with a GDV of RM53.2 million that was launched in June 2014 and which features 32 units of 3-storey super-link houses. This phase is currently 90% complete and buyers are expected to take vacant possession in June 2016.

PROPERTY, ASSET & CONSTRUCTION SECTOR

- iii. **Glenmarie Johor** which is located within the renowned township of Kota Iskandar, Johor Bahru marks the very first chapter of Glenmarie's exclusive address in the south. The development features an exclusive gated and guarded community with a linear garden concept of generous green spaces surrounding the residential neighbourhood. The modern design concepts within a strategic location close to facilities and amenities, as well as excellent connectivity to major highways are among the unique selling points of this development.

Phase 1A comprising 189 units of 2-storey link homes was launched in May 2015 and to date, 85% has been sold. Phase 1B of the development is expected to be launched in Q3 2016.

- iv. **Glenmarie Cove** is a unique river front development. Phases 3 and 4 are being planned to increase the mix of products ranging from superlinks, clusters, semi-detached and bungalows.

Proton City Development Corporation Sdn Bhd (PCDC)

PCDC is the developer of Proton City. This is a well-developed township spanning 2,000 acres and includes recreation and playground facilities available at Embayu Lake with a 1.8 km jogging track within the landscaped area of Proton City.

PCDC completed the development of 53 units of 2-storey shop offices in August 2015 and vacant possession was completed in September 2015.

As for other developments, PCDC's 104 units of Tulips cluster homes have been fully sold and construction is due to be completed in Q3 2016. In addition, Jasmine Residences @ Proton City featuring luxurious bungalows and Maple @ Proton City, with exclusive 2-storey semi-detached houses are currently under construction and due for completion in December 2016.

For the year under review, PCDC recorded a revenue of RM22.9 million.

ASSET AND FACILITY MANAGEMENT

Glenmarie Golf and Country Club (GGCC)

GGCC in Glenmarie regularly hosts significant golfing tournaments including the 2nd EurAsia Cup between Asia and Europe, the PROTON TSM Golf Challenge and 100 Plus Malaysia Junior Open. Revenue from membership and events recorded RM22.4 million.

The golf course and clubhouse facilities at GGCC have been upgraded to provide international standard playing conditions. This upgrade has definitely positioned GGCC as one of the most prestigious golf clubs in the country.

Holiday Inn Kuala Lumpur Glenmarie (HIKLG)

Despite a challenging year for the tourism and hospitality industry, HIKLG recorded a healthy arrival of guests during the financial year under review. Occupancy rate averaged 68.5% in FY2015/2016 with revenue registering RM28.6 million.

Vivanta Rebek Island Resort Langkawi

Rebek Island Resort is in its second year of operation under a new brand name, Vivanta Rebek Island Langkawi by TAJ, an affordable luxury brand of TAJ. The transition has proven to be successful as the new brand name has garnered higher arrivals and occupancy rate and reaped revenue of RM23.4 million.



CONSTRUCTION

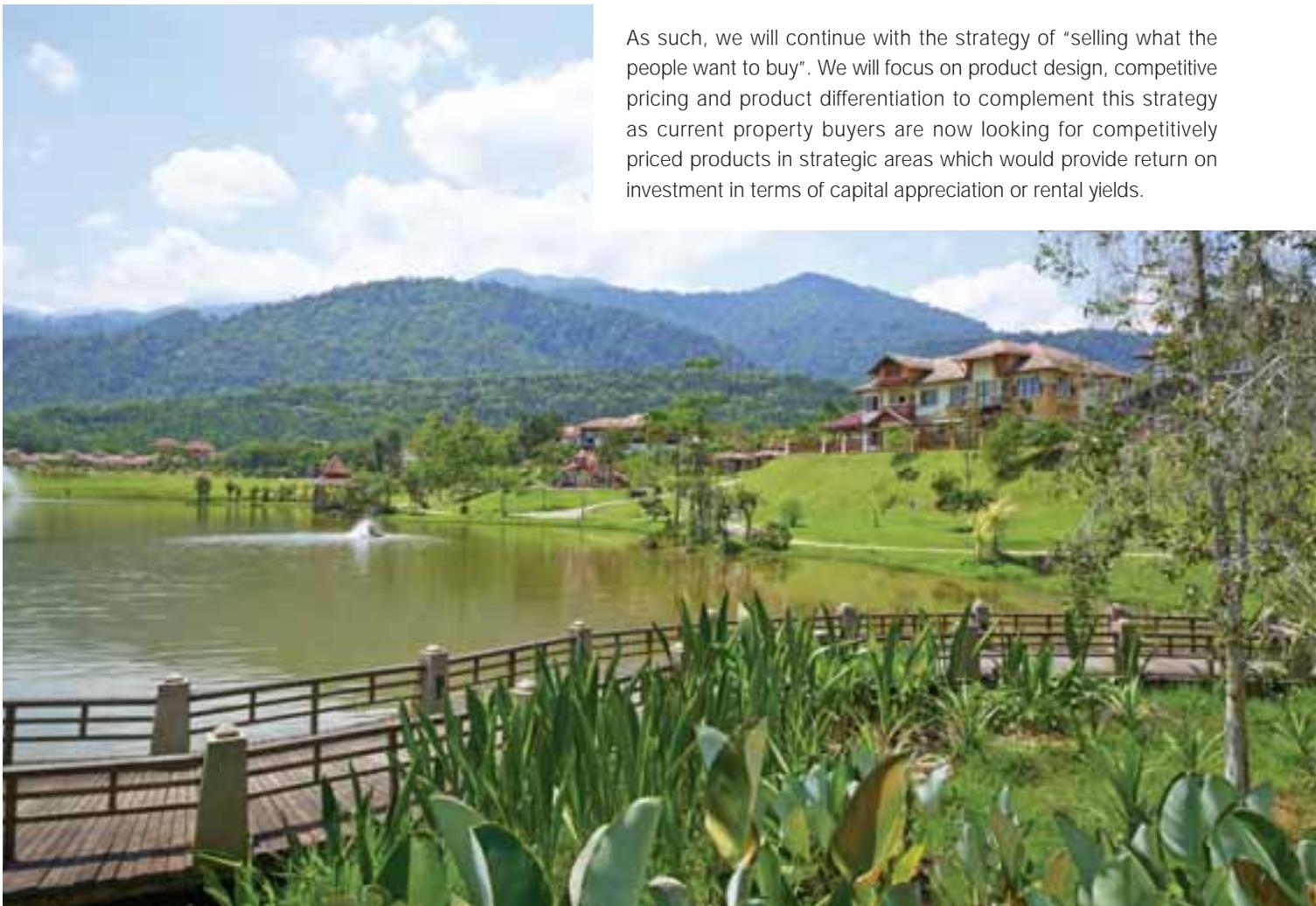
The Group's construction arm, HICOM Builders Sdn Bhd (HBSB) closed the financial year with a total revenue of RM25.64 million. HBSB is currently building 104 cluster homes for PCDC in Parcel 18, Tanjung Malim, Perak.

HBSB is the joint venture partner with Malaysian Resources Corporation Berhad (MRCB) undertaking the construction of the Immigration, Customs and Quarantine Complex in Bukit Kayu Hitam, Kedah. The contract is valued at RM315 million.

MOVING FORWARD

The financial year under review saw property buyers and aspiring homeowners plagued with negative sentiments and stringent loan requirements. Despite the forecast continued uncertainties in the global economy in 2016, DRB-HICOM's Property, Asset & Construction sector is confident of improved performance thanks to its strong fundamentals. Also, most of the land banks are in prime growth areas that are the target of prospective buyers i.e. well-developed and connected locations with public transportation facilities. The deciding factors for purchasing will thus be right pricing and a good development concept paired with a trusted brand.

As such, we will continue with the strategy of "selling what the people want to buy". We will focus on product design, competitive pricing and product differentiation to complement this strategy as current property buyers are now looking for competitively priced products in strategic areas which would provide return on investment in terms of capital appreciation or rental yields.



HUMAN CAPITAL DEVELOPMENT

Our more than 60,000 employees are our valuable human capital and asset. Ensuring that our employees comply with our Code of Ethics and Business Practice and our implementation of various talent development, learning and training initiatives to further develop and nurture our employees are among our strategies to strengthen our Group's position as a leading conglomerate in the nation.

As the business continues to expand and as we capitalise on the synergies among the companies in our Group, our employee development and training programmes will play a vital role in ensuring our business objectives are accomplished. Further, as our employees utilise their growing expertise and skills to the best of their ability, the resultant high-performance and innovative culture will ensure we remain resilient in the face of challenges.

CODE OF ETHICS AND BUSINESS PRACTICE

DRB-HICOM's Code of Ethics and Business Practice (COEBP) is a vital element that spearheads our success. It serves as our employees' formal commitment to conduct themselves professionally at all times and while engaging with our stakeholders in a transparent, appropriate and fair manner.

DRB-HICOM has always upheld the significance of our COEBP and has hence made it an integral part of our terms and conditions of service. The Code covers pertinent issues which include, among others, tardiness, honesty, integrity and relationship between employees and stakeholders.

The importance we place on our COEBP is further demonstrated in our shared values of Integrity, Decorum, Innovation, Excellence, Transparency, Teamwork and Quality. These values are continuously accentuated during our induction programmes for newly recruited employees, team-building sessions and other employee engagement initiatives conducted by our Human Capital Division.

It is also shared among our subsidiaries through constant engagement via group Whatsapp, meetings, teh-tarik sessions, town hall, bi-monthly IR Congress and other sessions. In addition, our subsidiaries regularly invite our Human Capital Division to give talks and training on the relevant issues concerning human capital.

TALENT MANAGEMENT 2015

Our Talent Management represents our management of the ability, competency and power of our employees. In this regard, we have developed highly effective talent development programmes to uncover, develop and nurture the latent talents of our employees. The objective of these programmes is to ensure that we have an adequate talent pool for our business continuity and that second liners are in place to achieve our desired results.

DRB-HICOM Top Talent Development Programme

In 2015, we conducted two batches of our DRB-HICOM Top Talent Development Programme for Senior Managers and General Managers. Forty talents were identified and attended a structured development programme which aimed at the creation of an experienced and trained talent pool which we can draw upon to assume leadership roles as they become available.



DRB-HICOM Top Talent Development Programme (Batch 1)



DRB-HICOM Top Talent Development Programme (Batch 2)

The programme is structured to elevate leadership competency through:

- Building a culture of continuous improvement to lead the functions, business and enterprise to drive a high performance organisation.
- Up-skilling managers in the nucleus for business with the right value system.
- Creating managers with global strategic thinking and long-term visionary business achievement orientation.
- Building an integrated change framework harnessing critical mass for effective transformation implementation.
- Creating the environment and resources for innovation, growth and expansion.

DRB-HICOM Mentor-Mentee Programme

We are very cognizant of the value of mentoring as an instrument of organisational learning. This interactive mechanism enhances the skills of mentors and provides an opportunity for them to share wise counsel, knowledge, experiences in addition to advising their mentees in developing abilities for success in their careers and lives.

Our mentoring initiative has been identified as developmental assistance for our high performers/top talents. Thirteen mentors (from Senior Leadership of DRB-HICOM) have been identified and total of 21 high performers/top talents have been identified as mentees.

Our mentor-mentee programme seeks to achieve the following:

- **Develop Human Capital**

This is to ensure a pool of capable people is developed and nurtured in order to fill the present and foreseeable needs of the organisation.

- **Transfer and Retain Tacit Knowledge**

Mentoring enables tacit knowledge to be transferred between individuals. Tacit knowledge refers to knowledge found in the mind and heart of a person and experiences that are difficult to codify, write or store. As such, mentoring ensures that in the transfer of tacit knowledge, it is retained, to the benefit of the organisation.

- **Retain Talents**

Mentoring ensure that the right people get the relevant and appropriate development plan. It provides mentees a better understanding and a bigger picture of their career and professional growth.

HUMAN CAPITAL DEVELOPMENT

DRB-HICOM Management Trainee Programme

The DRB-HICOM Management Trainee Programme (DMTP) is part of our Group Human Capital's initiative to create a highly skilled internal talent pool at all levels. This programme enables an acceleration of job competence at the entry level so that we can better manage our "young" talent both for their career development and for the Group's talent pool.

DMTP is a fast track development programme for fresh graduates to develop and build their careers in DRB-HICOM from the Executive to the Manager level.

The aim of the programme is mainly to build a pool of talented managers and promote managerial performance by imparting knowledge, changing behaviour and enhancing professional and attitudinal skills through a systematic, organised and structured programme.

During the year under review, ten Management Trainees were selected to undergo a one-year DMTP Programme.



DRB-HICOM Management Trainee Programme (DMTP), Batch 1

HUMAN RESOURCES MANAGEMENT SYSTEM

Ongoing enhancements to our Human Resources Management System have improved information flow and employee accessibility to information, reduced the need for manual operations and the costs associated with preparing and sending out paper copies of documents such as payslips or EA forms.

DRB-HICOM is currently focusing on consolidating the data of all employees and publishing them on the HR Dashboard. The ongoing project is expected to be completed by the second quarter of FY2016/2017. The information that is published on the Management Dashboard will facilitate decision making by Management.

ORGANISATIONAL LEARNING

Training – Communication Update Programme (T-CUP) June 2015 & March 2016

The Training – Communication Update Programme was held twice in FY2015/2016.

The programme held in June 2015 focused on the special training provision policy which entitles training hours calculations for On-The-Job-Training, vendor centralisation and its results in cost savings, focused Organisational Learning (OL) calendar based on the company's annual training plan (ATP), standard monthly and annual training reports (programme reports, internal trainers, training materialisation and HRDF utilisation) and Subject Matter Experts (SMEs).

The programme held in March 2016 highlighted People Capability Roadmap (PCR), Training Calendar for FY2016/2017, consultancy programmes offered by OL, training materialisations, training vendor updates, finance concerns, SME development programme and report centralisation.



Organisational Learning (OL) Programmes

Annual training calendar programmes organised by OL showed a positive gradual take-up rate as the confirmation of programmes spiked to 77% during the year under review compared to 33% during the previous financial year. This was the result of initiatives taken to focus on annual training plans for subsidiaries which in turn decreased annual training programmes by 58% due to the condensed OL calendar created. The number of programmes postponed decreased from 30% to 29% and the number of programmes cancelled was a record 0% compared to 37% in FY2014/2015.

Some of the programmes were conducted in-house with internal trainers for PROTON, CTRM Aero Composites Sdn Bhd, Pos Malaysia Berhad, KL Airport Services Sdn Bhd, DRB-HICOM University of Automotive Malaysia, Edaran Otomobil Nasional Berhad, Euromobil Sdn Bhd, DRB-HICOM EZ-Drive Sdn Bhd, Isuzu Malaysia Sdn Bhd and ISUZU HICOM Sdn Bhd.

OL also provided internal expertise for 10 different highly customised core programmes such as On-Boarding, Interpersonal Skills, Dynamic Presentation Skills, Vision, Mission and Value (VMV) and Decorum, Budaya Kerja Cemerlang, Kemahiran Komunikasi, Customer Service, Developing Supervisory Skills, Teaming For Excellence, Effective Change Management and To Synergise and Collaborate (2SYNC) for Edaran Otomobil Nasional Berhad, DRB-HICOM EZ-Drive Sdn Bhd, Euromobil Sdn Bhd, Pos Malaysia Berhad, Isuzu Malaysia Sdn Bhd and ISUZU HICOM Sdn Bhd.

The use of internal trainers ensured cash flow was kept within the Group.

HUMAN CAPITAL DEVELOPMENT

Group-wide Rise in Demand for VMV & Decorum Programme

The VMV & Decorum Programme launched as a pilot programme at the Human Capital Conference in December 2014 was officially made a mandatory programme in the training calendar for all companies in the Group.

The programme was successfully conducted as a calendar programme six times in FY2015/2016. Ten programmes were conducted in-house for CTRM (100 participants for each session), four were conducted for Euromobil (50 participants for each session), and one programme each for KLAS, DHU and Pos Malaysia.

Winning Sales for Edaran Otomobil Nasional Berhad (EON)

OL worked closely with EON's Human Capital team to derive the framework for EON Group's Improving Customer Experience (ICE) campaign for all levels of staff. With the constant support of EON's Human Capital team, a lot of groundwork was laid internally to ensure the EON Group is aware of the campaign.

The year under review saw the conduct of two programmes: the Winning Sales Force programme for the entire sales team and the Customer Service programme for the after-sales team. The Winning Sales Force programme included a mini show room concept as part of the workshop content.



The main focus was to inculcate customer centricity across the board from the customers' first point of contact right up to the CEOs. The small wins will be noticeable after the two training programmes and feedback from Management and customers obtained in the next few months.



PERFORMANCE IMPROVEMENT PLAN

The Performance Management System (PMS) in the DRB-HICOM Group serves to ensure alignment of individual activities and organisational goals. It also ensures that clear expectations are set in monitoring progress as well as in recognising individual contributions and reward accomplishments. While the PMS provides us with the tools to identify the top performers in the organisation, it also serves to identify poor performers. In order to drive business excellence, Management's expectation is that all team members perform to the highest level possible and exercise due care in carrying out their roles and responsibilities.

The Performance Improvement Plan (PIP) is one of the key interventions that the Group has embarked on in order to help improve the performance of underperforming employees whose performance has dipped below the standard required in the DRB-HICOM Group. Since the commencement of the PIP, about 43% have successfully benefited from it through performance improvement and hence graduated from the program. DRB-HICOM will continuously take all reasonable and practical efforts to continuously monitor and coach the remaining who are still in the programme and who shows signs and potential for improvement within the stipulated timeframe.

GOING BEYOND PROFITS

Giving back to society is embedded in our business ethos. Creating shared values and going beyond profits have been a fundamental principle in our relationship with our stakeholders, the community, the marketplace and the nation.



CORPORATE RESPONSIBILITY

As a leading Malaysian conglomerate with diversified business interests, we have a unique opportunity to make a positive economic, social and environmental impact. As such, our corporate responsibility (CR) activities that give back to the community in which we operate are embedded into the core of our business operations to create shared value and go beyond products and profits. They are part of a strategic initiative that helps drive value for us, our shareholders and society at large and focus on four main areas, namely environment, workplace, community and the marketplace.

GIVING BACK TO THE COMMUNITY

Education

Education is a powerful game changer. It elevates the lives of individuals and their families and contributes to nation building. DRB-HICOM is proud to play its role in this by contributing RM1 million to Tabung Pendidikan 1 Billion (TP1B) or the 1 Billion Education Fund in 2015, thus, strengthening our role in nation building through education funding.

In addition, as part of our commitment towards sustainable development of the automotive industry ecosystem in Malaysia, DRB-HICOM's education arm was successfully upgraded to DRB-HICOM University of Automotive Malaysia (DHU) on 11 November 2015. And with that vision, DRB-HICOM has, to date, provided scholarships to 17 students via its subsidiaries and provided financial assistance through zakat scholarship to 118 deserving students to pursue studies at DHU.

Caring for Orphans, the Young and the Elderly

Children who are orphans deserve love as they are bereft of families. We place special importance in bringing joy into their lives and easing their difficulties. During the year, we provided orphans from Shelter Home for Children, Rumah Permata Rohani, Rumah Baitul Kasih and Rumah Baitul Baroka with back-to-school assistance in the form of books, uniforms and other school necessities to ease their entry into the new school year.

As the saying goes, charity begins at home, and DRB-HICOM has always put our Warga as priority and presented back-to-school assistance to 63 Warga and 207 children.

PROTON also made its contribution in the form of making a donation to Pertubuhan Kebajikan Islam Peribadi Mulia, Kajang, for the purchase of school bags and stationery for children and sponsoring of Proton Exora to Rumah Amal Kasih Bestari, an orphanage home based in Kampung Melayu Subang, to ease the ferrying of children to school and back.

CORPORATE RESPONSIBILITY

During the merriment of the festive season, DRB-HICOM brings joy to children in orphanages and to the elderly. For Chinese New Year, 70 children of Pusat Harian Kanak-Kanak Spastik, Ipoh received RM5,000 while Deepavali, brought laughter and happiness for 80 children of Pure Life Society, one of the first NGOs which was set up in 1950. The home received RM5,000.

The holy month of Ramadan is a special time of sharing and giving to the less fortunate. During Ramadan 2015, HICOM Diecastings Sdn Bhd (HDSB) organised an Iftar or breaking of fast with children from Baitul Hikmah Orphanage.

We also place importance on caring for our ailing senior citizens so that they are not left out during the festivities. As part of its ongoing mission, Bank Muamalat, through its Wakaf Selangor Muamalat, donated medical equipment and a shower trolley to Rumah Ehsan, Kuala Kubu Baru, a hospice for senior citizens.

Even those who are suffering in other countries are not left out. Earlier this year, the Group collected almost RM60,000 as donation to ease the difficulties of Syrian refugees during the winter.

Providing Medical Aid for Disaster Victims

Bank Muamalat through its Wakaf Selangor Muamalat sent its mobile clinic on a relief mission to Gua Musang, Kelantan to provide clinical services to flood victims. This relief mission was a joint effort with KPJ Damansara Hospital. A total of 26 volunteers were involved and 300 flood victims were given treatment.

Contributing to Eradicating Polio

Euromobil participated in the End Polio Ride 2016 by providing shuttle cars for the ride from Malacca to Johor Bahru. The End Polio Ride is an effort to raise greater awareness of polio eradication and to raise funds for the cause. Shuttle cars and entertainment were also provided for children with Down Syndrome to witness the event.



ENGAGING THE UMMAH

As an Islamic bank, Bank Muamalat has a responsibility to the Muslim community in particular and to the general community as a whole. The Bank played this role in a number of ways. Through its philanthropic arm Tabung Mawaddah, the Bank donated a multipurpose van each to Majlis Bandaraya Shah Alam, Masjid Jamek Tan Sri Ainuddin Wahid and Pusat Dakwah Jeli to be used as hearses and for other purposes.

The Bank also distributed zakat (religious tithes) to 105 qualified recipients at Masjid Jamek Sultan Abdul Halim, Pekan Kubur Panjang, Alor Setar and donated RM1,000 to the Tarbiah Al Awladih Islamic School. These were done through the Bank's Tabung Mawaddah and ROKEB (Bank Muamalat Big Bike Club).

Other companies in the Group also played their part in giving back to the community. Perusahaan Otomobil Nasional Berhad, Pos Malaysia Berhad, Alam Flora Sdn Bhd, Edaran Otomobil Nasional Berhad, DRB-HICOM Auto Solutions Sdn Bhd, PHN Industry Sdn Bhd, Automotive Corporation (Malaysia) Sdn Bhd, PUSPAKOM Sdn Bhd, HICOM-HONDA Manufacturing (Malaysia) Sdn Bhd, HICOM-Teck See Manufacturing (Malaysia) Sdn Bhd, Composite Technology Research Malaysia Sdn Bhd and DRB-HICOM Defence Technologies Sdn Bhd each donated a van (12 in total) to the needy to be used as hearses.

DRB-HICOM for the seventh year continued its sponsorship towards Sahabat Korporat Tabung Haji, an annual programme by Tabung Haji. This year, DRB-HICOM sponsored the purchase of a unit of portable ventilator while Pos Malaysia joined in to sponsor lanyards for the pilgrims.

The DRB-HICOM Group also fulfils its religious obligation of paying corporate zakat annually with the bulk of the zakat contribution going to Lembaga Zakat Selangor and Pusat Pungutan Zakat Wilayah Persekutuan. Further, the Group has set up the Tabung Khairat Kematian or Staff Bereavement Fund to ease the difficulties faced by staff upon the demise of an immediate family member.

ENGAGING THE PUBLIC

Green, Green Grass of Hope

Alam Flora knows what's best for the environment and as a caring corporate body, it has established a strong bond with its stakeholders for mutual beneficial relationships with the communities, with the main focus of providing a clean and healthy environment. It has a long-standing tradition of organising, sponsoring and participating in a broad range of CR-related activities that not only act as a platform for its community projects, but also as a platform for its employees to contribute significantly towards the wellbeing of the society and environment, in line with its company's corporate tagline 'Appreciating Life'.

'Hari 1 Alam Flora' was organised for the neighbourhood, which included public events at the nearby mosque to educate the public on proper solid waste management including 'Separation at Source'.

Programmes included the sponsorship of Mobile Garbage Bins to respective Majlis Perbandaran. Alam Flora, further strengthening cooperation with the Department of Environment via the 'Sekolah Lestari' programme through its various 3R initiatives which included organising 3R related events for schools.



CORPORATE RESPONSIBILITY



CARING FOR OUR ENVIRONMENT

Wildlife Conservation

Our DRB-HICOM Wildlife Conservation Programme which is in its second year, supports wildlife conservation as part of our contribution to the environment. A total of 45 Sahabat joined the 'Zoo Cleanup' programme. We also adopted 'Kathy', an orang utan for a year.

Promoting 3R

Alam Flora conducted public engagement programmes, meeting the public 'face-to-face', using its very own 'Eco Rangers', in educating the public on the importance of embracing the 3R concept by adopting 'Separation at Source' in KL, Putrajaya and Pahang.

Cleaning up programmes were also conducted in collaboration with local traders, ministries, government agencies, the private sector and associations. These included gotong-royong sessions in Bukit Bintang, Taman Mulia Kuala Lumpur, Jalan Cochrane in Kuala Lumpur, Taman Permint Jaya in Kuala Terengganu, and Sungai Bunus. A 3R public awareness programme was also conducted on 'Separation at Source' for several districts in Pahang.

ENGAGEMENT IN THE MARKETPLACE

Advocating Vehicle Safety

PUSPAKOM not only ensures that commercial vehicles meet minimum safety standards. It also plays an important role in ensuring public awareness of the importance of passenger vehicles meeting safety standards to prevent untoward incidents which may result in loss of lives.

In this respect, PUSPAKOM continued to conduct educational programmes and its Free Voluntary Vehicle Inspection (VVI) Campaigns, particularly just before festive seasons like Hari Raya Aidilfitri and Chinese New Year.

PUSPAKOM held a series of road safety seminars highlighting the importance of vehicle inspection and maintenance in line with the requirements of the Road Transport Act in Malaysia. These seminars were conducted for Government and Non-Government agencies as well as corporate bodies. Apart from this, PUSPAKOM held various engagement sessions with valued customers through dialogues with stakeholders and conducted transparency seminars. This is an on-going proactive initiative by PUSPAKOM to engage with its customers and help them to better understand the processes and requirements of vehicle inspection.

Nurturing Culture and Arts

DRB-HICOM has always been a strong supporter of the local arts and culture. It continues to sponsor local theatre and supported the "P. Ramlee the Musical Tour 2015" show at Dewan Sri Pinang, Georgetown, Pulau Pinang and invited 180 students of Penang Free School which was also the same school P. Ramlee attended. In addition, 'Aladdin a Musical Comedy' brought laughter to 80 children of PPKK Serendah Home. We believe that exposure to the arts and culture will help develop the interest of the young future leaders of Malaysia in art and culture.

ENGAGEMENT IN THE WORKPLACE

Employees have always been DRB-HICOM's greatest asset and their wellbeing matters very much to us. As such, we believe engaging our employees is one aspect of us being a responsible company. The wellbeing of our staff is just as important as the wellbeing of the people and the communities at large.

Education

In addition to supporting our Warga to provide education for their children, DRB-HICOM rewarded the children of our Warga who excelled in the 2015 PT3, SPM and STPM examinations. This is one of our CR initiatives to recognize and motivate children of Warga DRB-HICOM to excel in their education. Some 330 children of employees from 28 companies in the DRB-HICOM Group received the awards this year.

Supporting Mothers in Our Workplace

In contributing to Malaysia's strategy of inclusive socio-economic development that will ensure productive and sustainable female workforce participation and in support of the National Policy on Breastfeeding, DRB-HICOM set up a Lactation Room at Wisma DRB-HICOM and launched on 12 August 2015. The Lactation Room consist of three cubicles, a washing area, a reading area and a refrigerator which provides a conducive environment for our working mothers.

This development has received positive feedback from our female colleagues.

Safety and Health

Safety and Health is vital in the workplace and to raise the awareness among our Warga, a Safety, Health and Environment Week was organised jointly by DRB-HICOM and PUSPAKOM. During the week, PUSPAKOM gave talks on road safety and the importance of vehicle checks while DRB-HICOM organised a blood donation campaign and health screening for our Warga based at Wisma DRB-HICOM.

A total of 100 Warga were given a basic health screening and cancer marker screening package. NCD Alliance Malaysia gave a talk on non-communicable diseases such as diabetes, cardiovascular diseases, cancer, respiratory conditions and renal problems during a talk on "Healthy Lifestyle Choices for your Family". DRB-HICOM also donated RM5,000 to NCD Alliance Malaysia.

Similarly, Bank Muamalat organised a health screening and blood drive at Menara Bumiputra to educate staff on healthy eating and living. About 400 staff participated in the programme of whom, 116 Warga donated their blood.

Sahabat DRB-HICOM

Sahabat DRB-HICOM is our very own volunteer programme designed to encourage our Warga to be sensitive towards the community's needs through social work with various charities and NGOs. To date, we have over 106 Sahabat DRB-HICOM who have contributed 976 hours through six programmes.

This year, DRB-HICOM held its Bubur Lambuk Programme to gather all Sahabat DRB-HICOM who had been together in various programmes throughout the year and to welcome the holy month of Ramadan. More than 53 Sahabat DRB-HICOM volunteers were involved in cooking and preparing the local delicacy which is usually prepared and distributed during Ramadan. Together, they made 10 large pots of bubur lambuk and a total of 3,540 packs were distributed to Warga DRB-HICOM, neighbouring offices and communities.



CORPORATE RESPONSIBILITY



During Hari Raya, DRB-HICOM's Management and Sahabat DRB-HICOM celebrated Aidilfitri with senior citizens who were residents of Warga Pusat Penjagaan Warga Tua Sri Tanjung, treating them to a festive spread and giving them duit raya. The home for senior citizens is located in Kampung Damai, Kuang Selangor. The programme brought joy to the residents and made sure they were not left out of the merriment of the festivities.

Sahabat DRB-HICOM in CTRM also did their bit by donating a total RM5,000 under Sekampit Beras programme to buy groceries including rice which are distributed to 40 underprivileged families located within the vicinity of its offices.



DIRECTORS' REPORT AND FINANCIAL STATEMENTS

Directors' Report	140
Statements of Comprehensive Income	144
Consolidated Statement of Financial Position	146
Company Statement of Financial Position	148
Consolidated Statement of Changes in Equity	149
Company Statement of Changes in Equity	151
Statements of Cash Flows	152
Notes to the Financial Statements	157
Supplementary Information on the Breakdown of Realised and Unrealised Profits	313
Statement by Directors	314
Statutory Declaration	314
Independent Auditors' Report	315

DIRECTORS' REPORT

The Directors of DRB-HICOM Berhad are pleased to submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 March 2016.

PRINCIPAL ACTIVITIES

The Company is an investment holding company with investments in the automotive (including defence and composite manufacturing), services (including integrated logistics, banking and postal businesses) and property, asset and construction segments. There was no significant change in these activities during the financial year.

The principal activities of the subsidiary companies, joint ventures and associated companies are described in Note 3 to the financial statements.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Net loss for the financial year	(870,758)	(389,272)
Attributable to:		
Owners of the Company	(991,900)	(466,137)
Holders of Perpetual Sukuk	76,865	76,865
Non-controlling interest	44,277	-
	<u>(870,758)</u>	<u>(389,272)</u>

DIVIDENDS

Dividend paid by the Company since 31 March 2015 was as follows:

	RM'000
In respect of the financial year ended 31 March 2015:	
Single tier final dividend of 4.5 sen per share, paid on 9 October 2015	<u>86,996</u>

The Directors now recommend the payment of a single tier first and final dividend of 2.0 sen per share amounting to RM38,664,741 in respect of the financial year ended 31 March 2016, subject to the approval of shareholders at the forthcoming Annual General Meeting of the Company.

RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year are disclosed in the financial statements.

SIGNIFICANT AND SUBSEQUENT EVENTS

The details of significant and subsequent events are as disclosed in Notes 58 and 59 to the financial statements.

DIRECTORS

The Directors who have held office during the period since the date of the last report are as follows:

Brig. Gen. (K) Tan Sri Dato' Sri (Dr) Haji Mohd Khamil bin Jamil	(Chairman) (Redesignated from Group Managing Director to Chairman on 1 March 2016)
Dato' Sri Syed Faisal Albar bin Syed Ali Rethza Albar	(Group Managing Director) (Appointed on 1 March 2016)
Tan Sri Marzuki bin Mohd Noor	
Dato' Ibrahim bin Taib	
Datuk Haji Abdul Rahman bin Mohd Ramli	
Datuk Ooi Teik Huat	
Ong Ie Cheong	
Dato' Siti Fatimah binti Daud	(Appointed on 1 April 2016)
Dato' Abdul Rahman bin Ahmad	(Appointed on 16 May 2016)
Dato' Noorrizan binti Shafie	(Resigned on 14 November 2015)
Dato' Syed Mohamad bin Syed Murtaza	(Resigned on 1 March 2016)

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings, particulars of deemed interests of Directors who held office at the end of the financial year, in shares of the Company and in its related corporations were as follows:

Number of ordinary shares of RM1.00 each			
As at 1 April 2015	Acquired	Disposed	As at 31 March 2016

Holding Company

Etika Strategi Sdn. Bhd.

Direct interest

Brig. Gen. (K) Tan Sri Dato' Sri (Dr) Haji Mohd Khamil bin Jamil	30,000	-	-	30,000
------------------------------------------------------------------	--------	---	---	--------

Other than as disclosed above, according to the Register of Directors' Shareholdings, none of the other Directors in office at the end of the financial year held any interest in shares in the Company or its related corporations during the financial year.

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than emoluments disclosed in Note 7 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

DIRECTORS' REPORT

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the statements of comprehensive income and statements of financial position were made out, the Directors took reasonable steps:

- (a) to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records of the Group and of the Company in the ordinary course of business had been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

- (a) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts made in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- (c) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of 12 months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group or of the Company to meet their obligations as and when they fall due.

At the date of this report, there does not exist:

- (a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

In the opinion of the Directors:

- (a) the results of the Group's and of the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to substantially affect the results of the operations of the Group or of the Company for the financial year in which this report is made.

HOLDING COMPANY

The Directors regard Etika Strategi Sdn. Bhd., a company incorporated in Malaysia, as the holding company.

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 30 June 2016.



BRIG. GEN. (K) TAN SRI DATO' SRI (DR) HAJI MOHD KHAMIL BIN JAMIL
Chairman



DATO' SRI SYED FAISAL ALBAR BIN SYED ALI RETHZA ALBAR
Group Managing Director

STATEMENTS OF COMPREHENSIVE INCOME

For the Financial Year Ended 31 March 2016

	Note	Group		Company	
		2016 RM'000	2015 (Restated) RM'000	2016 RM'000	2015 RM'000
Revenue	4	12,172,941	13,687,839	399,434	305,198
Cost of sales	5	(11,001,547)	(11,728,349)	-	-
Gross profit		1,171,394	1,959,490	399,434	305,198
Other income					
- gain on disposal of subsidiary companies	52(iii)(a)&(b)	-	97,424	-	-
- others		469,483	457,642	8,207	27,294
Selling and distribution costs		(378,761)	(462,679)	-	-
Administrative expenses		(1,600,637)	(1,345,405)	(52,028)	(32,530)
Other expenses		(327,717)	(113,951)	(590,972)	(10,785)
Finance costs	9	(382,094)	(392,054)	(151,215)	(162,719)
Share of results of joint ventures (net of tax)	19(d)	22,059	26,781	-	-
Share of results of associated companies (net of tax)	20(h)	205,006	274,586	-	-
(Loss)/profit before taxation	6	(821,267)	501,834	(386,574)	126,458
Taxation	10	(49,491)	(116,778)	(2,698)	1,992
Net (loss)/profit for the financial year		(870,758)	385,056	(389,272)	128,450
Other comprehensive (loss)/income					
<u>Items that will not be reclassified subsequently to profit or loss:</u>					
Loss on valuation of post-employment benefit obligations		(5,478)	(4,641)	-	-
Fair value adjustment on properties, plant and equipment and prepaid lease properties		528	15,147	-	-
<u>Items that will be reclassified subsequently to profit or loss:</u>					
Net gain on fair value changes of investment securities: available-for-sale		10,804	19,902	-	-
Currency translation differences of foreign subsidiary companies		54,857	(2,335)	-	-
<u>Reclassification adjustments:</u>					
Gain on fair value changes of investment securities: available-for-sale					
- Transfer to profit or loss upon disposal		-	789	-	-
Transfer of reserve of an associated company to profit or loss upon disposal		(4,604)	-	-	-
Other comprehensive income for the financial year (net of tax)		56,107	28,862	-	-

	Note	Group		Company	
		2016 RM'000	2015 (Restated) RM'000	2016 RM'000	2015 RM'000
Total comprehensive (loss)/income for the financial year		(814,651)	413,918	(389,272)	128,450
Net (loss)/profit for the financial year attributable to:					
Owners of the Company		(991,900)	300,195	(466,137)	114,049
Holders of Perpetual Sukuk		76,865	14,401	76,865	14,401
Non-controlling interest		44,277	70,460	-	-
		(870,758)	385,056	(389,272)	128,450
Total comprehensive (loss)/income for the financial year attributable to:					
Owners of the Company		(940,410)	317,931	(466,137)	114,049
Holders of Perpetual Sukuk		76,865	14,401	76,865	14,401
Non-controlling interest		48,894	81,586	-	-
		(814,651)	413,918	(389,272)	128,450
Basic and diluted (loss)/earnings per share (sen)	12	(51.31)	15.53		

The notes set out on pages 157 to 312 form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2016

	Note	2016 RM'000	2015 (Restated) RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	13	5,708,050	5,562,954
Concession assets	14	227,051	230,651
Prepaid lease properties	15	52,024	53,412
Investment properties	16	617,955	560,325
Land held for property development	17(a)	985,141	728,086
Joint ventures	19	451,023	390,252
Associated companies	20	1,364,616	1,307,016
Intangible assets	21	1,681,168	1,392,473
Deferred tax assets	22	91,719	123,588
Investment securities: financial assets at fair value through profit or loss	23(a)		
- Banking		186,355	118,657
Investment securities: available-for-sale	23(b)		
- Banking		5,058,434	5,411,269
- Non-banking		46,203	46,238
Investment securities: held-to-maturity	23(c)		
- Banking		140,607	139,042
Trade and other receivables	29	104,589	155,336
Other assets	24	441	509
Banking related assets			
- Financing of customers	25	10,600,485	10,259,671
- Statutory deposit with Bank Negara Malaysia	26	703,261	757,721
		28,019,122	27,237,200
CURRENT ASSETS			
Assets held for sale	27	10,819	63,405
Inventories	28	1,760,627	2,364,414
Property development costs	17(b)	284,145	320,695
Trade and other receivables	29	4,274,409	4,321,091
Tax recoverable		243,000	266,422
Investment securities: available-for-sale	23(b)		
- Banking		641,732	1,024,210
Banking related assets			
- Cash and short-term funds	32	1,069,101	1,226,944
- Financing of customers	25	3,726,891	2,998,566
Short term deposits	30	1,420,553	1,872,889
Cash and bank balances	31	550,999	588,519
Derivative assets	33	40,951	74,975
		14,023,227	15,122,130
TOTAL ASSETS		42,042,349	42,359,330

	Note	2016 RM'000	2015 (Restated) RM'000
EQUITY AND LIABILITIES			
EQUITY			
Share capital	34	1,719,601	1,719,601
Reserves		4,823,487	5,850,893
Equity attributable to Owners of the Company		6,543,088	7,570,494
Perpetual Sukuk	35	1,051,859	822,291
Non-controlling interest		908,342	959,290
TOTAL EQUITY		8,503,289	9,352,075
NON-CURRENT LIABILITIES			
Deferred income	36	119,690	139,509
Long term borrowings	37	4,303,493	4,832,149
Provision for liabilities and charges	38	2,606	3,110
Provision for concession assets	39	103,841	74,574
Post-employment benefit obligations	40	44,033	34,791
Deferred tax liabilities	22	66,335	91,292
Banking related liabilities			
- Deposits from customers	41	66,987	51,826
		4,706,985	5,227,251
CURRENT LIABILITIES			
Deferred income	36	64,570	50,869
Trade and other payables	42	6,407,242	5,960,620
Provision for liabilities and charges	38	154,675	195,653
Provision for concession assets	39	25,214	17,557
Post-employment benefit obligations	40	477	-
Bank borrowings	43		
- Bank overdrafts		21,462	21,835
- Others		2,546,305	2,065,779
Current tax liabilities		15,514	35,084
Banking related liabilities			
- Deposits from customers	41	19,026,668	18,870,198
- Deposits and placements of banks and other financial institutions	44	442,252	408,836
- Bills and acceptances payable	45	29,350	67,723
Derivative liabilities	33	98,346	56,851
Dividend payable		-	28,999
		28,832,075	27,780,004
TOTAL LIABILITIES		33,539,060	33,007,255
TOTAL EQUITY AND LIABILITIES		42,042,349	42,359,330

The notes set out on pages 157 to 312 form an integral part of the financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 March 2016

	Note	2016 RM'000	2015 RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	13	371	623
Investment properties	16	136,355	144,316
Subsidiary companies	18	8,118,732	8,485,228
Joint ventures	19	4,686	4,686
Associated companies	20	676,440	676,970
		8,936,584	9,311,823
CURRENT ASSETS			
Trade and other receivables	29	1,146,431	693,751
Tax recoverable		-	42,743
Short term deposits	30	239,534	384,218
Cash and bank balances	31	11,909	1,914
		1,397,874	1,122,626
TOTAL ASSETS		10,334,458	10,434,449
EQUITY AND LIABILITIES			
EQUITY			
Share capital	34	1,719,601	1,719,601
Reserves		3,704,490	4,257,623
Equity attributable to Owners of the Company		5,424,091	5,977,224
Perpetual Sukuk	35	1,051,859	822,291
TOTAL EQUITY		6,475,950	6,799,515
NON-CURRENT LIABILITIES			
Long term borrowings	37	1,405,632	2,331,091
Deferred tax liabilities	22	1,278	2,100
		1,406,910	2,333,191
CURRENT LIABILITIES			
Trade and other payables	42	1,741,705	956,746
Bank borrowings - Others	43	708,694	315,998
Current tax liabilities		1,199	-
Dividend payable		-	28,999
		2,451,598	1,301,743
TOTAL LIABILITIES		3,858,508	3,634,934
TOTAL EQUITY AND LIABILITIES		10,334,458	10,434,449

The notes set out on pages 157 to 312 form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Financial Year Ended 31 March 2016

Note	Issued and fully paid ordinary shares	Non-distributable						Equity attributable to Owners of the Company			Total RM'000	
		Number of shares (Note 34) '000	Nominal value (Note 34) RM'000	Share Premium (Note 46) RM'000	Merger Reserve (Note 47) RM'000	Currency Translation Differences RM'000	Available-for-sale Reserve RM'000	Other Reserves (Note 48) RM'000	Retained Earnings RM'000	Perpetual Sukuk (Note 35) RM'000		Non-controlling Interest RM'000
2016												
At 1 April 2015	1,933,237	1,719,601	20,701	1,000,039	(92,529)	(814)	324,688	4,598,900	822,291	959,290	9,352,167	
Prior year's adjustments	-	-	-	-	-	-	-	(92)	-	-	(92)	
51(i)(e)												
As restated	1,933,237	1,719,601	20,701	1,000,039	(92,529)	(814)	324,688	4,598,808	822,291	959,290	9,352,075	
Net (loss)/profit for the financial year	-	-	-	-	-	-	-	(991,900)	76,865	44,277	(870,758)	
Other comprehensive income/ (loss) for the financial year, net of tax	-	-	-	-	48,898	7,563	(4,971)	-	-	4,617	56,107	
Total comprehensive income/ (loss) for the financial year	-	-	-	-	48,898	7,563	(4,971)	(991,900)	76,865	48,894	(814,651)	
Net issuance of Perpetual Sukuk	-	-	-	-	-	-	-	-	223,841	-	223,841	
Distribution to holders of Perpetual Sukuk	-	-	-	-	-	-	-	-	(71,138)	-	(71,138)	
Transactions with Owners	-	-	-	-	-	-	-	-	-	-	-	
Acquisition of a subsidiary company	-	-	-	-	-	-	-	-	-	(3,048)	(3,048)	
Capital repayment to non-controlling interest of a subsidiary company	-	-	-	-	-	-	-	-	-	(86,460)	(86,460)	
Transfer of a subsidiary company's reserves	-	-	-	-	-	-	47,921	(47,921)	-	-	-	
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	-	-	(10,334)	(10,334)	
Final dividend in respect of financial year ended 31 March 2015	-	-	-	-	-	-	-	(86,996)	-	-	(86,996)	
11												
At 31 March 2016	1,933,237	1,719,601	20,701	1,000,039	(43,631)	6,749	367,638	3,471,991	1,051,859	908,342	8,503,289	

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Financial Year Ended 31 March 2016 (Continued)

Note	Issued and fully paid ordinary shares		Non-distributable				Equity attributable to Owners of the Company			Total RM'000	
	Number of shares (Note 34) '000	Nominal value (Note 34) RM'000	Share Premium (Note 46) RM'000	Merger Reserve (Note 47) RM'000	Currency Translation Differences RM'000	Available-for-sale Reserve RM'000	Other Reserves (Note 48) RM'000	Retained Earnings RM'000	Perpetual Sukuk (Note 35) RM'000		Non-controlling Interest RM'000
2015											
At 1 April 2014	1,933,237	1,719,601	20,701	911,016	(89,405)	(15,440)	271,832	4,493,178	7,311,483	1,200,065	8,511,548
Net profit for the financial year	-	-	-	-	-	-	-	300,195	300,195	14,401	70,460
Other comprehensive (loss)/ income for the financial year, net of tax	-	-	-	-	(2,902)	14,626	6,012	-	-	-	11,126
Total comprehensive (loss)/ income for the financial year	-	-	-	-	(2,902)	14,626	6,012	300,195	317,931	14,401	81,586
Net issuance of Perpetual Sukuk Transactions with Owners	-	-	-	-	-	-	-	-	807,890	-	-
Effect of changes in shareholding in subsidiary companies	-	-	-	-	-	-	(539)	(4,662)	(5,201)	-	(13,882)
Disposal of subsidiary companies	-	-	-	89,023	-	-	18,047	(44,821)	62,249	-	(157,490)
Subscription of redeemable preference shares in a subsidiary company by non-controlling interest	-	-	-	-	(222)	-	222	-	-	3,530	3,530
Subscription of ordinary shares in a subsidiary company by non-controlling interest	-	-	-	-	-	-	-	27	27	-	1,975
Transfer of a subsidiary company's reserves	-	-	-	-	-	-	29,114	(29,114)	-	-	-
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	-	-	-	(156,494)
Final dividend in respect of financial year ended 31 March 2014	-	-	-	-	-	-	-	(86,996)	(86,996)	-	(86,996)
Interim dividend in respect of financial year ended 31 March 2015	-	-	-	-	-	-	-	(28,999)	(28,999)	-	(28,999)
At 31 March 2015	1,933,237	1,719,601	20,701	1,000,039	(92,529)	(814)	324,688	4,598,808	7,570,494	822,291	9,352,075

The notes set out on pages 157 to 312 form an integral part of the financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

For the Financial Year Ended 31 March 2016

	Issued and fully paid ordinary shares		Non-distributable		Distributable	Equity attributable to Owners of the Company		Perpetual Sukuk (Note 35) RM'000	Total RM'000
	Number of shares (Note 34) '000	Nominal value (Note 34) RM'000	Share Premium (Note 46) RM'000	Merger Reserve (Note 47) RM'000		Retained Earnings (Note 50) RM'000	RM'000		
2016									
At 1 April 2015	1,933,237	1,719,601	20,701	2,318,321	1,918,601	5,977,224	822,291	6,799,515	
Net (loss)/profit for the financial year representing total comprehensive (loss)/income for the financial year	-	-	-	-	(466,137)	(466,137)	76,865	(389,272)	
Net issuance of Perpetual Sukuk	-	-	-	-	-	-	223,841	223,841	
Distribution to holders of Perpetual Sukuk	-	-	-	-	-	-	(71,138)	(71,138)	
Transactions with Owners									
Final dividend in respect of financial year ended 31 March 2015	-	-	-	-	(86,996)	(86,996)	-	(86,996)	
At 31 March 2016	1,933,237	1,719,601	20,701	2,318,321	1,365,468	5,424,091	1,051,859	6,475,950	
2015									
At 1 April 2014	1,933,237	1,719,601	20,701	2,318,321	1,920,547	5,979,170	-	5,979,170	
Net profit for the financial year representing total comprehensive income for the financial year	-	-	-	-	114,049	114,049	14,401	128,450	
Net issuance of Perpetual Sukuk	-	-	-	-	-	-	807,890	807,890	
Transactions with Owners									
Final dividend in respect of financial year ended 31 March 2014	-	-	-	-	(86,996)	(86,996)	-	(86,996)	
Interim dividend in respect of financial year ended 31 March 2015	-	-	-	-	(28,999)	(28,999)	-	(28,999)	
At 31 March 2015	1,933,237	1,719,601	20,701	2,318,321	1,918,601	5,977,224	822,291	6,799,515	

Note

11

11

11

The notes set out on pages 157 to 312 form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

For the Financial Year Ended 31 March 2016

	Group		Company	
	2016	2015 (Restated)	2016	2015
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Net (loss)/profit for the financial year	(870,758)	385,056	(389,272)	128,450
Adjustments for non-cash items:				
Allowance for investment securities and financing of customers (net)	97,582	100,454	-	-
Allowance for doubtful debts (net of write backs)				
- trade and other receivables	24,006	11,725	-	-
- project development receivables	120,500	-	-	-
Amortisation of				
- concession assets	12,182	11,488	-	-
- intangible assets	178,579	131,083	-	-
- prepaid lease properties	1,388	1,499	-	-
Depreciation of property, plant and equipment	544,742	532,997	252	273
Finance costs	382,094	392,054	151,215	162,719
Impairment loss of/(reversal of impairment loss), net				
- intangible assets	81,473	1,937	-	-
- investment in an associated company	-	-	530	-
- investment in a subsidiary company	-	-	581,000	-
- investment securities: available-for-sale	22,825	(21,934)	-	-
- land held for property development	-	(22,147)	-	-
- property, plant and equipment	4,355	1,497	-	-
Inventories written off/down (net of write backs)	29,659	12,274	-	-
Loss/(gain) on dilution/disposal of interest in a joint venture	-	20	-	(15,342)
Marked to market loss/(gain) on derivatives (net)	75,519	(4,230)	-	-
Provision for concession assets	27,882	25,892	-	-
Provision for liabilities and charges (net)	32,390	41,426	-	-
Taxation	49,491	116,778	2,698	(1,992)
Write off of property, plant and equipment	2,805	4,092	-	-
Amortisation of deferred income	(59,361)	(38,830)	-	-
Dividend income	-	-	(335,781)	(283,166)
Sub-total carried forward	757,353	1,683,131	10,642	(9,058)

	Group		Company	
	2016	2015 (Restated)	2016	2015
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (Continued)				
Sub-total brought forward	757,353	1,683,131	10,642	(9,058)
Gain on disposal of				
- assets held for sale	(12,267)	(46)	-	-
- investment securities: available-for-sale	(10,250)	(10,928)	-	-
- investment securities: financial assets at fair value through profit or loss	(617)	(4,420)	-	-
- property, plant and equipment	(9,290)	(2,464)	-	-
- subsidiary companies	-	(97,424)	-	-
(Gain)/loss on fair value adjustments of investment properties	(15,420)	(892)	8,134	8,377
Interest income	(53,126)	(65,132)	(56,910)	(17,830)
Unrealised foreign exchange differences (net)	(32,996)	(21,627)	-	-
Share of results of joint ventures (net of tax)	(22,059)	(26,781)	-	-
Share of results of associated companies (net of tax)	(205,006)	(274,586)	-	-
Cash inflow/(outflow) before working capital changes	396,322	1,178,831	(38,134)	(18,511)
Amounts due from customers on contracts	(561,662)	437,689	-	-
Inter-company balances	(72,916)	(44,083)	70,492	(586,192)
Inventories	574,849	(342,247)	-	-
Property development costs	(226,723)	(36,166)	-	-
Trade and other receivables	602,735	(892,206)	7,168	(8,471)
Trade and other payables	360,703	825,706	69,635	298
Financing of customers	(1,160,558)	(1,636,266)	-	-
Statutory deposit with Bank Negara Malaysia	54,460	(109,000)	-	-
Deposits from customers	171,631	1,615,581	-	-
Deposits and placements of banks and other financial institutions	33,416	307,762	-	-
Bills and acceptances payable	(38,373)	(37,281)	-	-
General insurance contract liabilities	-	17,960	-	-
Net cash inflow/(outflow) from operations	133,884	1,286,280	109,161	(612,876)

STATEMENTS OF CASH FLOWS

For the Financial Year Ended 31 March 2016 (Continued)

	Group		Company	
	2016	2015 (Restated)	2016	2015
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (Continued)				
Net cash inflow/(outflow) from operations (Continued)				
Interest received	51,024	69,226	6,268	9,302
Dividends received from				
- subsidiary companies	-	-	182,600	152,454
- joint ventures	18,556	23,600	468	2,744
- associated companies	167,061	141,851	152,713	127,968
Finance costs paid	(378,804)	(394,551)	(145,521)	(161,923)
Taxation (paid)/refunds, net	(42,512)	(213,018)	41,071	(1,227)
Provision for liabilities and charges paid	(83,927)	(67,692)	-	-
Deferred income received	52,018	63,671	-	-
Post-employment benefit obligations paid	(12,502)	(18,967)	-	-
Provision for concession assets paid	(3,599)	(7,255)	-	-
Net cash (outflow)/inflow from operating activities	(98,801)	883,145	346,760	(483,558)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of investment securities by a banking subsidiary company	(6,561,266)	(11,133,124)	-	-
Subscription/acquisition of additional shares in subsidiary companies	-	(19,083)	(2,056)	-
Additional investment in an associated company	-	(2,100)	-	-
Additional cost incurred for land held for property development	(657)	(941)	-	-
Capital repayment to non-controlling interest of a subsidiary company	(86,460)	-	-	-
Movement in fixed deposits placement with maturity profile more than 3 months	(11,091)	(25,305)	(972)	(10,140)
Net cash outflow from acquisition of subsidiary companies	(104,626)	(78,436)	(19,568)	-
Net cash outflow from disposal of subsidiary companies	-	(273,437)	-	-
New investment in a joint venture	(60,554)	-	-	-
New investment in an associated company	(10,198)	-	-	-
Sub-total carried forward	(6,834,852)	(11,532,426)	(22,596)	(10,140)

	Group		Company	
	2016 RM'000	2015 (Restated) RM'000	2016 RM'000	2015 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES (Continued)				
Sub-total brought forward	(6,834,852)	(11,532,426)	(22,596)	(10,140)
Proceeds from disposal of a joint venture	-	20,456	-	20,456
Proceeds from disposal/maturity of investment securities by insurance subsidiary companies	-	35	-	-
Proceeds from disposal of investment securities by a banking subsidiary company	6,800,089	10,425,816	-	-
Proceeds from disposal of property, plant and equipment/investment properties/intangible assets/other assets/assets held for sale	91,821	21,055	-	-
Purchase of property, plant and equipment/investment properties/intangible assets	(1,108,504)	(900,033)	(173)	(1,175)
Redemption of preference shares by a joint venture	5,000	5,000	-	-
Redemption of available-for-sale securities by a banking subsidiary company	473,000	234,748	-	-
Subscription of ordinary shares in a subsidiary company by non-controlling interest	-	2,002	-	-
Net cash (outflow)/inflow from investing activities	(573,446)	(1,723,347)	(22,769)	9,141
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid to non-controlling interest	(10,334)	(156,494)	-	-
Dividends paid to shareholders	(115,995)	(115,995)	(115,995)	(115,995)
Distribution paid to holders of Perpetual Sukuk	(71,138)	-	(71,138)	-
Fixed deposits held as security/maintained as sinking fund	39,646	(235,694)	-	-
Net proceeds from issuance of Perpetual Sukuk	223,841	807,890	223,841	807,890
Proceeds from bank borrowings	4,799,928	4,421,967	86,500	-
Repayment of borrowings/hire purchase and finance leases	(4,833,443)	(4,652,775)	(621,023)	(295,427)
Sub-total carried forward	32,505	68,899	(497,815)	396,468

STATEMENTS OF CASH FLOWS

For the Financial Year Ended 31 March 2016 (Continued)

	Note	Group		Company	
		2016 RM'000	2015 (Restated) RM'000	2016 RM'000	2015 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES (Continued)					
Sub-total brought forward		32,505	68,899	(497,815)	396,468
Loans from subsidiary companies (net of repayment)		–	–	38,163	229,354
Net cash inflow/(outflow) from financing activities		32,505	68,899	(459,652)	625,822
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS					
		(639,742)	(771,303)	(135,661)	151,405
Effects of foreign currency translation		19,838	57,933	–	–
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		2,564,966	3,278,336	375,992	224,587
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR		1,945,062	2,564,966	240,331	375,992
(a) Cash and cash equivalents at end of the financial year comprise the following:					
Short term deposits		1,420,553	1,872,889	239,534	384,218
Cash and bank balances		550,999	588,519	11,909	1,914
Cash and short-term funds of a banking subsidiary company		1,069,101	1,226,944	–	–
Bank overdrafts		(21,462)	(21,835)	–	–
		3,019,191	3,666,517	251,443	386,132
Less: Fixed deposits held as security/sinking fund	30(b)	(1,018,558)	(1,058,204)	–	–
Less: Fixed deposits with maturity profile more than 3 months	30(f)	(36,396)	(25,305)	(11,112)	(10,140)
Less: Bank balance in respect of Automotive Development Fund		(19,175)	(18,042)	–	–
		1,945,062	2,564,966	240,331	375,992
(b) Non-cash transactions:					
The principal non-cash transactions during the financial year comprise the following:					
(i) Acquisition of property, plant and equipment/intangible assets/investment properties by means of hire purchase, finance lease and payable		41,748	14,129	–	118

The notes set out on pages 157 to 312 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

- 31 March 2016

1 CORPORATE INFORMATION

The Company is an investment holding company with investments in the automotive (including defence and composite manufacturing), services (including integrated logistics, banking and postal businesses) and property, asset and construction segments. There was no significant change in these activities during the financial year.

The principal activities of the subsidiary companies, joint ventures and associated companies are described in Note 3.

The Directors regard Etika Strategi Sdn. Bhd., a company incorporated in Malaysia, as the holding company.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Bursa Malaysia Securities Berhad.

The address of the registered office and principal place of business of the Company is Level 5, Wisma DRB-HICOM, No. 2, Jalan Usahawan U1/8, Seksyen U1, 40150 Shah Alam, Selangor Darul Ehsan, Malaysia.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies, unless otherwise stated below, have been used consistently in dealing with items which are considered material in relation to the financial statements:

2.1 Basis of preparation

The financial statements comply with the provisions of the Companies Act 1965 and Financial Reporting Standards ("FRSs") in Malaysia.

The financial statements of the Group and of the Company are prepared under the historical cost convention except for those that are disclosed in this summary of significant accounting policies.

The preparation of financial statements in conformity with the provisions of the Companies Act 1965 and FRSs in Malaysia, requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported year. Actual results could differ from those estimates. There are no areas involving a higher degree of judgement or complexity, or areas where estimates and assumptions are significant to the financial statements other than as disclosed in Note 57.

The comparatives for 31 March 2015 have been restated with adjustments arising from the completion of the purchase price allocation exercise as disclosed in Note 51(i)(e).

NOTES TO THE FINANCIAL STATEMENTS

- 31 March 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Changes in accounting policies and effects arising from adoption of new/revised and amendments to FRSs

(i) Changes in accounting policies and effects for the current financial year

The new/revised accounting standards and amendments to published standards issued by Malaysian Accounting Standards Board ("MASB") that are applicable to the Group and the Company and effective for the current financial year are as follows:

Amendments to FRS 119	Defined Benefit Plans: Employee Contributions
Annual improvements to FRSs 2010 – 2012 Cycle	
Annual improvements to FRSs 2011 – 2013 Cycle	

The adoption of the above standards and amendments did not result in material impact to the financial statements of the Group and of the Company.

(ii) Adoption of Malaysian Financial Reporting Standards Framework ("MFRS")

The Malaysian Accounting Standards Board, on 28 October 2015, has announced to defer the effective date for transitioning entities to apply the MFRS Framework to annual periods beginning on or after 1 January 2018. Therefore, the Group as a transitioning entity will have to adopt the MFRS Framework for annual periods beginning on or after 1 January 2018.

2.3 Impact of new MASB pronouncements

The Group and the Company have not adopted the following published new/amended standards that are applicable to the Group and the Company beginning on or after 1 April 2016.

FRS 9	Financial Instruments
FRS 14	Regulatory Deferral Accounts
Amendments to FRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to FRS 10, FRS 12 and FRS 128	Investment Entities: Applying the Consolidation Exception
Amendments to FRS 101	Disclosure Initiative
Amendments to FRS 107	Disclosure Initiative
Amendments to FRS 112	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to FRS 116 and FRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to FRS 127	Equity Method in Separate Financial Statements
Annual Improvements to FRSs 2012 – 2014 Cycle	

The Group and the Company are currently assessing the impact of the adoption and application of the above new/amended standards.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary companies made up to the end of the financial year. Consistent accounting policies are applied to like transactions and events in similar circumstances.

Subsidiary companies are those companies in which the Group has the following policies:

- (i) Control exists when the Group has existing rights that give it the current ability to direct the activities that significantly affect investee's returns, the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
- (ii) Potential voting rights are considered when assessing control only when such rights are substantive.
- (iii) The Group considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

The Group's subsidiary companies are listed in Note 3.

All the subsidiary companies are consolidated using the purchase method of accounting where the results of subsidiary companies acquired or disposed of during the financial year are included from the date on which control is transferred to the Group and are no longer consolidated from the date on which the control ceases. At the date of acquisition, the fair values of the subsidiary companies' identifiable assets acquired and liabilities and contingent liabilities assumed are determined and these values are reflected in the consolidated financial statements. The cost of an acquisition is measured at fair value of assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange.

The total assets and liabilities of subsidiary companies are included in the consolidated statement of financial position and the interests of non-controlling shareholders in the net assets are stated separately. Losses within a subsidiary company are attributed to the non-controlling interest even if that results in a deficit balance. All significant inter-company transactions, balances and unrealised gains on transactions are eliminated on consolidation and unrealised losses on transactions are also eliminated after considering impairment indicators, only to the extent that cost can be recovered.

Changes in the Group's ownership interests in subsidiary companies that do not result in the Group losing control over the subsidiary companies are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiary companies. The resulting difference is recognised directly in equity and attributed to owners of the Company.

NOTES TO THE FINANCIAL STATEMENTS

- 31 March 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Basis of consolidation (Continued)

When the Group loses control of a subsidiary company, a gain or loss on disposal of a subsidiary company is the difference between net disposal proceeds and the Group's share of its net assets including the cumulative amount of any currency exchange differences that relate to the subsidiary company and is recognised in profit or loss. The subsidiary company's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary company at the date that control is lost is regarded as the cost on initial recognition of the investment.

2.5 Non-controlling interest

Non-controlling interest represents the portion of profit or loss and net assets in subsidiary companies not held by the Group and are presented separately in statements of comprehensive income of the Group and within equity in the consolidated statement of financial position separately from parent shareholders' equity. Non-controlling interest is initially measured at the non-controlling interest's share of fair values of the identifiable assets and liabilities of the acquiree at the date of acquisition.

The Group applies a policy of treating acquisition/disposal of shares from/to non-controlling interest as transactions with owners. Gains and losses resulting from disposal of shares in subsidiary companies to non-controlling interest are recognised in equity. For purchases from non-controlling interest, the difference between any consideration paid and the relevant share of the carrying value of net assets of the subsidiary acquired is recognised as equity.

2.6 Joint ventures

A joint venture is an enterprise which is neither a subsidiary company nor an associated company of the Group but over which there is a contractually agreed sharing of control by the Group with one or more parties over the strategic operating, investing and financing policy decisions. The decisions require the unanimous consent of the parties sharing control and the Group has assessed the nature of its joint arrangements and determined them to be joint ventures which are accounted for using the equity method.

The financial statements of the joint ventures used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Group. When the reporting dates of the Group and a joint venture are different, the joint venture is required to prepare additional financial statements as of the same date as that of the Group for consolidation purposes.

On acquisition of an investment in joint venture, any excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the joint venture is recognised as goodwill and included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities of the joint venture over the cost of investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the joint venture's profit or loss for the period in which the investment is acquired.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Joint ventures (Continued)

The Group's share of results of joint ventures is included in the consolidated statement of comprehensive income using the equity method of accounting. In the consolidated statement of financial position, the Group's interest in joint ventures is stated at cost plus the Group's share of post-acquisition retained profits and reserves less impairment. Where necessary, adjustments are made to the financial statements of joint ventures to ensure consistency of accounting policies with those of the Group.

The share of the results of the joint ventures will not be taken into the Group's statement of comprehensive income when the carrying value of the investment in a joint venture reaches zero unless the Group has incurred obligations or guaranteed obligations in respect of the joint venture.

Profits and losses resulting from transactions between the Group and its joint ventures are recognised in the Group's financial statements only to the extent of other investors' interests in the joint ventures. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The Group's joint ventures are listed in Note 3.

2.7 Associated companies

An associated company is a company in which the Group is in a position to exercise significant influence in its Management but which is not control and is neither a subsidiary company nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the associated company but not control over those policies.

The financial statements of the associated companies used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Group. When the reporting dates of the Group and associated companies are different, the associated company is required to prepare additional financial statements as of the same date as that of the Group for consolidation purposes.

On acquisition of an investment in associated company, any excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the associated company is recognised as goodwill and included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities of the associated company over the cost of investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associated company's profit or loss for the period in which the investment is acquired.

NOTES TO THE FINANCIAL STATEMENTS

- 31 March 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Associated companies (Continued)

The Group's share of results of associated companies is included in the consolidated statement of comprehensive income using the equity method of accounting. The share of the results of the associated company will not be taken into the Group's statement of comprehensive income when the carrying value of the investment in an associated company reaches zero unless the Group has incurred obligations or guaranteed obligations in respect of the associated company. In the consolidated statement of financial position, the Group's interest in associated companies is stated at cost plus the Group's share of post-acquisition retained profits and reserves less impairment. Where necessary, adjustments are made to the financial statements of associated companies to ensure consistency of accounting policies with those of the Group.

Profits and losses resulting from transactions between the Group and its associated companies are recognised in the Group's financial statements only to the extent of other investors' interests in the associated companies. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The Group's associated companies are listed in Note 3.

2.8 Investments in subsidiary companies, joint ventures and associated companies

Investments in subsidiary companies, joint ventures and associated companies are stated at cost. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount.

On disposal of investments, the difference between the net disposal proceeds and its carrying amount is charged or credited to profit or loss.

2.9 Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instruments.

When financial assets are recognised initially, they are measured at fair value, plus in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at the initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Financial assets (Continued)

(i) Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives unless they are designated as effective hedging instruments as defined by FRS 139) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that are not held primarily for trading purposes are presented as current or non-current based on the settlement date.

(ii) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

These financial assets are initially recognised at fair value, including direct and incremental transaction costs and are subsequently measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

(iii) Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current.

NOTES TO THE FINANCIAL STATEMENTS

- 31 March 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Financial assets (Continued)

(iv) Available-for-sale financial assets

Available-for-sale are financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group's and the Company's right to receive payment is established.

Investments in equity instruments which fair value cannot be reliably measured are measured at cost less impairment loss.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

2.10 Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

(i) Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Impairment of financial assets (Continued)

(i) Trade and other receivables and other financial assets carried at amortised cost (Continued)

Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(ii) Unquoted equity securities at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(iii) Available-for-sale financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

- 31 March 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Impairment of financial assets (Continued)

(iii) Available-for-sale financial assets (Continued)

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income.

For available-for-sale debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

(iv) Impairment of financing

The banking subsidiary company assesses at each reporting date whether there is any objective evidence that a financing is impaired. Financing of banking subsidiary company is classified as impaired when they fulfil either of the following criteria:

- (a) principal or profit or both are past due for 3 months or more;
- (b) where financing in arrears for less than 3 months, the financing exhibit indications of credit weaknesses, whether or not impairment loss has been provided for; or
- (c) where an impaired financing has been rescheduled or restructured, the financing will continue to be classified as impaired until repayments based on the revised and/or restructured terms have been observed continuously for a period of 6 months.

Impairment Process – Individual Assessment

The banking subsidiary company assesses if objective evidence of impairment exists for financing and receivables which are deemed to be individually significant.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the financing's carrying amount and the present value of estimated future cash flows discounted at the financing's original effective profit rate. The carrying amount of the financing is reduced through the use of an allowance account and the amount of the loss is recognised in the profit or loss.

Impairment Process – Collective Assessment

Financings which are not individually significant and financings that have been individually assessed with no evidence of impairment loss are grouped together for collective impairment assessment. These financings are grouped within similar credit risk characteristics for collective assessment, whereby data from the financing portfolio (such as credit quality, levels of arrears, credit utilisation, financing to collateral ratios, etc.), concentration of risks and economic data (including levels of unemployment, real estate prices indices, country risk and the performance of different individual groups) are taken into consideration.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Impairment of financial assets (Continued)

(iv) Impairment of financing (Continued)

Impairment Process – Collective Assessment (Continued)

Future cash flows in a group of financing that are collectively evaluated for impairment are estimated based on the historical loss experience of the banking subsidiary company. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

2.11 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount presented in the statements of financial position when there is a legally enforceable right to offset the recognised amount and there is an intention to settle on a net basis, or realise the receivables and settle the payables simultaneously.

2.12 Investment properties

Investment properties comprise land and buildings that are held for long term rental yield and/or for capital appreciation and that are not occupied by the companies in the Group. Assets under construction/development for future use as investment property are also classified in this category. Investment properties are initially measured at cost, including transaction cost. Subsequent to initial recognition, investment properties are stated at fair value, representing open-market values determined annually by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

A property interest under an operating lease is classified and accounted for as investment property on a property-by-property basis when the Group and the Company hold it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value.

On disposal of an investment property, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal, it shall be derecognised (eliminated from the statement of financial position). The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period of the retirement or disposal.

2.13 Assets held for sale

Assets are classified as held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition subject only to terms that are usual and customary.

NOTES TO THE FINANCIAL STATEMENTS

- 31 March 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Other assets

Other assets represent transferable corporate memberships in golf and country clubs. The golf membership acquired is measured initially at cost. Following initial recognition, it is measured at cost less any accumulated impairment losses. Gain or loss arising from disposal of the golf membership is measured as the difference between the net disposal proceeds and the carrying amount and is recognised in profit or loss. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.23.

2.15 Property, plant and equipment and depreciation

Freehold land is not depreciated as it has an infinite life. Depreciation on capital work-in-progress commences when the assets are ready for their intended use. All other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are recognised in profit or loss.

Where an indication of impairment exists, the carrying amount of the property, plant and equipment is assessed and written down immediately to its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. At each reporting date, the Group and the Company assess whether there is any indication of impairment. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.23.

The estimated useful lives in years are as follows:

Leasehold land	16 - 910 years
Buildings, golf course and improvements	3 - 98 years
Plant and machinery	3 - 30 years
Motor vehicles	2 - 10 years
Office equipment	2 - 10 years
Furniture and fittings	2 - 20 years

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each reporting date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Concession assets

Concession assets arise from the right to charge users of the public services and are amortised over the period of 22 years under the Service Concession Agreement.

Subsequent costs and expenditures related to infrastructure and equipment arising from the commitments to the concession contracts or that increase future revenue is recognised as additions to the concession assets and are stated at cost. All other repairs and maintenance expenses that are routine in nature, are charged to profit or loss during the financial year in which they are incurred.

2.17 Prepaid lease properties

Leasehold land that normally has a finite economic life and title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease, if the risks and rewards of the ownership are not substantially transferred to the Group. The payment made on entering into or acquiring a leasehold land is accounted as prepaid lease properties that are amortised over the lease term in accordance with the pattern of benefits provided. Short term leases are below 50 years and long term leases are 50 years and above.

2.18 Goodwill

Goodwill represents the excess of the cost of acquisition of subsidiary companies, joint ventures and associated companies over the fair value of the Group's share of the identifiable net assets at the time of acquisition. Goodwill on acquisitions of subsidiary companies is included in the consolidated statement of financial position as intangible assets. If the cost of acquisition is less than the fair value of the net assets of the subsidiary company acquired, the difference is recognised directly in profit or loss.

Goodwill arising on the acquisition of subsidiary companies is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the business combination in which the goodwill arose. The Group allocates goodwill to each business segment in which it operates.

Goodwill on acquisitions of joint ventures and associated companies is included in investment in joint ventures and associated companies respectively. Such goodwill is tested for impairment as part of the overall carrying amount.

NOTES TO THE FINANCIAL STATEMENTS

- 31 March 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Intangible assets other than goodwill

Intangible assets acquired separately are measured initially at cost. Following initial recognition, intangible assets are measured at cost less any accumulated amortisation and accumulated impairment losses.

(i) Computer software

Costs that are directly associated with identifiable and unique software products which have probable benefits exceeding the cost beyond 1 year are recognised as intangible assets. Expenditure which enhances or extends the performance of computer software programmes beyond their original specifications is recognised as a capital movement and added to the original cost of the software.

Costs associated with maintaining computer software programmes are recognised as an expense when incurred. Costs include employee costs incurred as a result of developing software and an appropriate portion of relevant overheads.

Computer software costs recognised as intangible assets are carried at cost and are amortised on a straight line basis over their estimated useful lives of 1 - 5 years.

(ii) Research and development cost

Expenditure in connection with research activities (research expenditure) is recognised as an expense when incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria for recognition are fulfilled:

- (a) It is technically feasible to complete the intangible assets so that it will be available for use or sale;
- (b) Management's intention to complete the intangible asset for use or sale;
- (c) There is an ability to use or sell the intangible asset;
- (d) It can be demonstrated that the intangible asset will generate probable future economic benefits;
- (e) Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- (f) The expenditure attributable to the intangible asset during its development can be reliably measured.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Intangible assets other than goodwill (Continued)

(ii) Research and development cost (Continued)

Development costs previously recognised as an expense are not recognised as an asset in subsequent periods. Development expenses capitalised include costs incurred in the development from the date it first meets the recognition criteria and up to the completion of the development project and commencement of commercial production. Capitalised development cost is stated at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation of development cost is based on straight line basis over its useful life, which ranges between 5 to 7 years for vehicles and 10 years for mechanical parts.

(iii) Acquired intangible assets

These intangible assets comprise dealership network and brand name arising from the acquisition of PROTON.

(a) Dealership network

Dealership network, which is separately identifiable, is stated at cost and amortised on a straight line basis over a period of 7 years.

(b) Brand name

Brand name, which is separately identifiable with infinite useful life, is tested annually for impairment and stated at cost less accumulated impairment losses. Impairment losses on brand name are not reversed.

The useful lives of the brands are estimated to be indefinite as Management believes there is no foreseeable limit to the period over which the brands are expected to generate net cash inflows to the Group based on the current market share of the brands.

Where an indication of impairment exists, the carrying amount of the intangible assets is assessed and written down immediately to its recoverable amount. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.23.

Preliminary and pre-operating expenses are written off to profit or loss in the financial year in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

- 31 March 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Property development activities

(i) Land held for property development

Land held for property development consists of land on which no significant development work has been undertaken or where development activities are not expected to be completed within the normal operating cycle. Such land is classified as non-current asset and is stated at cost less accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.23.

Cost associated with the acquisition of land includes the purchase price of the land, professional fees, stamp duties, conversion fees and other relevant levies. Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount.

Land held for property development is transferred to property development costs (within current assets) when development work is to be undertaken and is expected to be completed within the normal operating cycle.

On disposal of land held for property development, the difference between the net disposal proceeds and its carrying amount is charged or credited to profit or loss.

(ii) Property development costs

Property development costs comprise all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

Where the outcome of a development can be reliably estimated, property development revenue and expenditure are recognised using the percentage of completion method. The percentage of completion is measured by reference to the development costs incurred to date in proportion to the estimated total costs for the property development.

Where the outcome of a development activity cannot be reliably estimated, property development revenue is recognised only to the extent of costs incurred that is probable will be recoverable. Property development costs on development units sold are recognised as an expense when incurred.

Irrespective of whether the outcome of a property development activity can be estimated reliably, when it is probable that total property development costs will exceed total property development revenue, the expected loss is recognised as an expense immediately.

Property development costs not recognised as an expense is recognised as an asset and are stated at the lower of cost and net realisable value. Where revenue recognised in profit or loss exceeds billings to purchasers, the balance is shown as accrued billings under receivables (within current assets). Where billings to purchasers exceed revenue recognised, the balance is shown as progress billings under payables (within current liabilities).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is defined as all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and conditions. Costs of purchase comprise the purchase price, import duties and other taxes (so far as not recoverable from the taxation authorities), transport and handling costs and other directly attributable costs.

(i) Raw materials, work-in-progress, finished goods and consumables

Raw materials and consumables are stated at cost. Work-in-progress and finished goods represent raw materials, direct labours, direct charges and allocated process costs, where necessary. Cost is principally determined on a first-in first-out or weighted average basis depending on the nature of inventories.

(ii) Inventories of unsold properties

The cost of unsold properties comprises cost associated with the acquisition of land, direct costs and an appropriate allocation of allocated costs attributable to property development activities.

Net realisable value is the estimated selling price in the ordinary course of business less the costs of completion and selling expenses.

2.22 Cash and cash equivalents

For the purposes of the statements of cash flows, cash and cash equivalents consist of cash in hand, bank balances, demand deposits, bank overdrafts and short term highly liquid investments with a maturity of three months or less from the date of placement that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.23 Impairment of non-financial assets

The Group and the Company assess, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group and the Company estimate the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

- 31 March 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Impairment of non-financial assets (Continued)

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group and the Company estimate the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

2.24 Income taxes

Income tax on the profit or loss for the financial year comprises current and deferred tax.

(i) Current tax

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the financial year and is measured using the tax rates that have been enacted at the reporting date. Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(ii) Deferred tax

Deferred tax is provided for in full, using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities for tax purposes and their carrying amounts in the financial statements.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill, an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Income taxes (Continued)

(ii) Deferred tax (Continued)

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantially enacted at the reporting date. Deferred tax is recognised in profit or loss, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.25 Share capital

(i) Classification

An equity instrument is any contract that evidences a residual interest in the assets of the Group and of the Company after deducting all of its liabilities. Ordinary shares are classified as equity.

(ii) Share issue costs

Incremental external costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(iii) Dividends to shareholders of the Company

Dividends on ordinary shares are recognised as liabilities when declared before the reporting date. Dividends proposed after the reporting date, but before the financial statements are authorised for issue, is not recognised as a liability at the reporting date. Upon the dividend becoming payable, it will be accounted for as a liability.

2.26 Borrowings

(i) Classification

Borrowings are measured at fair value net of transaction costs initially and subsequently, at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the repayment period of the borrowings.

NOTES TO THE FINANCIAL STATEMENTS

- 31 March 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.26 Borrowings (Continued)

(ii) Capitalisation of borrowing costs

Borrowing costs incurred to finance the construction of property, plant and equipment are capitalised as part of the cost of the asset during the period of time that is required to complete and prepare the asset for its intended use. Borrowing costs incurred to finance property development activities and construction contracts are accounted for in a similar manner. All other borrowing costs are recognised in profit or loss in the period they are incurred.

2.27 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resulting gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

(ii) Other financial liabilities

The Group's and the Company's other financial liabilities include trade and other payables, loans and borrowings, deposits from customers, deposits and placements of banks and financial institutions, bills and acceptances payable and other liabilities.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised at fair value net of transaction costs initially and subsequently, at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.27 Financial liabilities (Continued)

(ii) Other financial liabilities (Continued)

Deposits from customers, deposits and placements of banks and financial institutions are stated at placement values.

Bills and acceptances payable represent the banking subsidiary company's own bills and acceptances rediscounted and outstanding in the market.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.28 Financial guarantee contract

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Company, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

2.29 Provisions

(i) Warranty and sales returns

A provision is made for the estimated liability on all products under warranty and provision for sales returns is made for estimated returns of goods as at the reporting date. These provisions are arrived at based on the historical data of service and sales returns.

(ii) Restructuring, mutual separation schemes and voluntary separation scheme costs

Restructuring, mutual separation scheme and voluntary separation scheme provisions mainly comprise employee termination costs and other related costs and are recognised in the financial year in which the Group becomes legally or constructively committed to such payment.

NOTES TO THE FINANCIAL STATEMENTS

- 31 March 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.29 Provisions (Continued)

(iii) Concession assets

A provision is recognised based on the contractual obligations that it must fulfil as a condition of its license to maintain the infrastructure to a specified standard and to restore the infrastructure when the infrastructure has deteriorated below specific condition as stated under the Service Concession Agreement.

2.30 Claims from suppliers and customers

In the normal course of business, the Group may receive claims based on contractual terms or deemed constructive obligations arising from non-contractual actions. The Management assesses these claims based on legal advice on such contractual terms, past constructive actions or business relationship continuity, where deemed necessary, and recognises these claims in the financial statements of the Group.

2.31 Grants

Grants are recognised at their fair values where there is reasonable assurance that the grant will be received and all conditions attached will be met.

- (i) Grants relating to assets are included in non-current liabilities as deferred income and are amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalment or by deducting the grants in arriving at the carrying amount of the asset.
- (ii) Grants relating to costs are recognised immediately through profit or loss to match them with the costs incurred.
- (iii) Income grants are grants other than the above grants and recognised in the statements of comprehensive income where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

2.32 Employee benefits

(i) Short term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.32 Employee benefits (Continued)

(ii) Defined contribution plan

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

The Group's contributions to the defined contribution plan are charged to profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(iii) Termination benefits

Termination benefits are payable to an entitled employee whenever the employment has to be terminated before the normal retirement date or when the employee accepts mutual/voluntary separation in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

(iv) Post-employment benefits – Defined benefit plan

Certain companies in the Group operate defined benefit plans for their eligible employees.

The defined benefit obligation is calculated using the project unit credit method, determined by independent actuaries are charged to the statement of comprehensive income so as to spread the cost of pensions over the average remaining service lives of the related employees participating in the defined benefit plan. Assumptions were made in relation to the expected rate of salary increases and annual discount rate.

The liability in respect of a defined benefit plan is the present value of the defined benefit obligations at the consolidated statement of financial position less the fair value of plan assets, together with adjustments for actuarial gains/losses and past service. The Group determines the present value of the defined benefit obligations with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the reporting date.

When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

NOTES TO THE FINANCIAL STATEMENTS

- 31 March 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.32 Employee benefits (Continued)

(iv) Post-employment benefits – Defined benefit plan (Continued)

Remeasurements of the net defined benefit obligations, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the changes in asset ceiling (excluding interest), are recognised immediately in other comprehensive income. The Group determines the net interest income or expense on the net defined obligations for the period by applying the discount rate used to measure the defined benefit obligations at the beginning of the annual period, taking into account any changes in the net defined benefit obligations during the period as a result of contributions and benefit payments.

Net interest income or expense and other expenses relating to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

2.33 Construction contracts

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised over the period of the contract as revenue and expenses respectively. The Group uses the percentage of completion method to determine the appropriate amount of revenue and costs to be recognised in a given period; the percentage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total costs.

When it is probable that the total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that is probable will be recoverable and contract costs are recognised as expenses when incurred.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

The aggregate of the costs incurred and the profit/loss recognised on each contract is compared against the progress billings periodically. Where costs incurred and recognised profit (less recognised losses) exceeds progress billings, the balance is shown as amounts due from customers on construction contracts under current assets. Where progress billings exceed costs incurred plus recognised profit (less recognised losses), the balance is shown as amounts due to customers on construction contracts under current liabilities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.34 Assets under lease arrangements

(i) Finance leases

Leases of property, plant and equipment, concession assets and intangible assets where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases. Assets acquired under finance lease arrangements are included in property, plant and equipment or/and intangible assets and the capital element of the leasing commitments is shown under borrowings. The lease rentals are treated as consisting of capital and interest element. The capital element is applied to reduce the outstanding obligations and the interest element is charged to profit or loss so as to give a constant periodic rate of interest on the outstanding liability at the end of each accounting period. Assets acquired under finance lease are depreciated or amortised over the useful lives of equivalent owned assets or its lease term, if shorter.

(ii) Operating leases

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Lease rental payments on operating leases are charged to profit or loss in the financial year they become payable.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

2.35 Revenue and other income recognition

Revenue and other income are recognised to the extent that it is probable that the economic benefits will flow to the Group and the Company and the revenue and other income can be reliably measured. Revenue and other income are measured at the fair value of consideration received or receivables. Other than revenue and other income recognition policies mentioned elsewhere in the summary of significant accounting policies, set out below are other significant revenue and other income recognition policies used by the Group and the Company:

(i) Sale of goods

Sales are recognised upon delivery of goods, net of sales tax, returns, discounts and allowances and upon transfer of significant risks and rewards of ownership of the goods to the customers.

NOTES TO THE FINANCIAL STATEMENTS

- 31 March 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.35 Revenue and other income recognition (Continued)

(ii) Rendering of services

(a) Solid waste management

Revenue from management services, solid waste disposal and tipping fees is recognised upon performance of services less discounts.

(b) Vehicle inspection income

Income from inspection of vehicles is recognised upon the rendering of inspection services.

(c) Ground handling services

Revenue from ground handling, in-flight catering and cargo handling is recognised upon performance of services less discounts.

(d) Vehicle leasing income

Operating lease income is recognised on a straight line basis over the period of lease agreement.

(e) Fee income for an aircraft leasing company

Fee income is recognised upon rendering of services and customers' acceptances.

(f) Financing income and fee recognition for a banking subsidiary company

Profit income from financing is recorded using the effective profit rate, which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financing or a shorter period, where appropriate, to the net carrying amount of the financing. The calculation takes into account all contractual terms of the financing (for example, repayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective profit rate, but not future credit losses.

For impaired financing where the value of the financing has been written down as a result of an impairment loss, financing income continues to be recognised using the effective profit rate, to the extent that it is probable that the profit can be recovered.

Financing arrangement, management and participation fees, underwriting commissions, guarantee fees and brokerage fees are recognised as income based on accrual on time apportionment method. Fees from advisory and corporate finance activities are recognised net of service taxes and discounts on completion of each stage of the assignment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.35 Revenue and other income recognition (Continued)

(ii) Rendering of services (Continued)

(g) Provision of total logistics services and inventory solutions

- Shipping agency fees

Income is recognised on completion of shipping operation.

- Transportation related income

Income from transportation of goods is recognised upon delivery of goods at the receiving point.

- Warehousing and distribution income

Income from the provisions of handling and related activities is recognised upon the performance of services.

- Haulage income

Income from haulage and related activities is recognised upon performance of services, net of discounts.

(h) Fees

Tuition fees for both academic programmes and short courses are recognised over the duration of courses. Registration and enrolment fees are recognised upon commencement of the courses.

(i) Premium income of a general insurance subsidiary company

Premium income is recognised in a financial year in respect of risks assumed during that particular financial year. Premiums from direct business are recognised during the financial year upon the issuance of insurance policies. Premiums in respect of risks incepted for which policies have not been issued as of the reporting date are accrued at that date.

Inward treaty reinsurance premiums are recognised on the basis of periodic advices received from ceding insurers. Outward reinsurance premiums are recognised in the same accounting period as the original policy to which the reinsurance relates.

(iii) Construction contracts

Revenue from construction contracts are accounted for by the stage of completion method as described in Note 2.33.

NOTES TO THE FINANCIAL STATEMENTS

- 31 March 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.35 Revenue and other income recognition (Continued)

(iv) Sale of land and development properties

Revenue recognition for sale of land and development properties are described in Note 2.20.

(v) Others

(a) Dividend income

Dividends are recognised when the right to receive payment is established.

(b) Interest income

Interest income is recognised using effective interest method.

(c) Rental income

Rental income is accrued on a straight line basis over the operating lease term.

2.36 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency.

(ii) Foreign currency transactions

Transactions in foreign currencies during the financial year are converted into functional currency at the rates of exchange ruling on the transaction dates. Monetary assets and liabilities in foreign currency are translated into Ringgit Malaysia at rates of exchange approximating those ruling on the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange date when fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operations.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.36 Foreign currency translation (Continued)

(iii) Foreign subsidiary companies

The assets and liabilities of foreign subsidiary companies that have a functional currency other than RM are translated into Ringgit Malaysia at the rate of exchange ruling at the reporting date. Income and expenses are translated at exchange rates at the date of transactions. Exchange differences arise on translation are taken directly to other comprehensive income.

On disposal of foreign subsidiary companies, such translation differences are recognised in profit or loss as part of the gain or loss on disposal.

2.37 Segment reporting

Segment reporting is presented for enhanced assessment of the Group's risks and returns. Business segments provide products or services that are subject to risk and returns that are different from those of other business segments.

Segment revenue, expense, assets and liabilities are those amounts resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment. Segment revenue, expense, assets and liabilities are determined before intragroup balances and intragroup transactions are eliminated as part of the consolidation process, except to the extent that such intragroup balances and transactions are between group enterprises within a single segment.

2.38 Contingent liabilities and contingent assets

The Group does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare circumstance where there is a liability that cannot be recognised because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Group.

The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

In the acquisition of subsidiary companies by the Group under a business combination, the contingent liabilities assumed are measured initially at their fair value at the acquisition date.

NOTES TO THE FINANCIAL STATEMENTS

- 31 March 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.39 Fair value measurements

Except for lease transactions, the fair value of an asset or a liability is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- (i) Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- (ii) Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other than valuation techniques where all significant inputs are directly or indirectly observable from market data.
- (iii) Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

3 COMPANIES IN THE GROUP

The principal activities of the companies in the Group and the effective interest of the Group as at 31 March 2016 therein are shown below:

Name of Company	Effective Equity Interest		Principal Activities	Financial Year End
	2016 %	2015 %		
SUBSIDIARY COMPANIES				
Subsidiary companies of DRB-HICOM Berhad:				
HICOM Holdings Berhad	100.00	100.00	Investment holding	31 March
Gadek (Malaysia) Berhad	100.00	100.00	Investment holding	31 March
[®] PROTON Holdings Berhad ("PROTON")	100.00	100.00	Investment holding	31 March
[§] DRB-HICOM Northern Gateway Sdn. Bhd.	100.00	100.00	Investment holding	31 March
DRB-HICOM Auto Solutions Sdn. Bhd.	100.00	100.00	Vehicle importation, logistics, vehicle pre-delivery inspection, value added services and the sale of vehicles	31 March
DRB-HICOM Defence Technologies Sdn. Bhd.	100.00	100.00	Manufacturing, assembly, supply, maintenance, marketing, refurbishment or retrofitting of military and commercial vehicles, equipment and spare parts	31 March
HICOM University College Sdn. Bhd.	100.00	100.00	Higher educational and vocational training programme	31 March
PUSPAKOM Sdn. Bhd. ("PUSPAKOM")	100.00	100.00	Inspection of commercial vehicles for roadworthiness and the inspection of other vehicles	31 March
^{§ n} DRB-HICOM SPV (Labuan) Limited	100.00	–	Special purpose vehicle for funding	31 March
Motosikal Dan Enjin Nasional Sdn. Bhd. ("MODENAS")	81.00	81.00	Manufacturing, assembly and distribution of motorcycles, related spare parts and accessories	31 March

NOTES TO THE FINANCIAL STATEMENTS

- 31 March 2016

3 COMPANIES IN THE GROUP (Continued)

Name of Company	Effective Equity Interest		Principal Activities	Financial Year End
	2016 %	2015 %		
SUBSIDIARY COMPANIES (Continued)				
Subsidiary companies of DRB-HICOM Berhad: (Continued)				
Bank Muamalat Malaysia Berhad	70.00	70.00	Islamic banking business and related financial services	31 March
[§] Media City Ventures Sdn. Bhd.	51.00	–	Investment holding	31 March
* HICOM Power Sdn. Bhd.	100.00	100.00	Dormant	31 March
* HICOM Trucks Sdn. Bhd.	100.00	100.00	Dormant	31 March
* DRB-HICOM Export Corporation Sdn. Bhd.	75.50	75.50	Dormant	31 March
* Intrakota Komposit Sdn. Bhd.	70.00	70.00	Dormant	31 March
Subsidiary companies of Gadek (Malaysia) Berhad:				
Mega Consolidated Sdn. Bhd.	100.00	100.00	Dormant	31 March
* Ladang Gadek Development Sdn. Bhd.	100.00	100.00	Dormant	31 March
* Ladang Kupang Development Sdn. Bhd.	100.00	100.00	Dormant	31 March
* Uni.Asia Capital Sdn. Bhd.	51.00	51.00	Dormant	31 March
Subsidiary companies of DRB-HICOM Defence Technologies Sdn. Bhd.:				
Defence Services Sdn. Bhd.	100.00	100.00	Specialised defence engineering works including refurbishment, upgrading of armoured vehicles and supply of spare parts	31 March
^{@*} Composites Technology Research Malaysia Sdn. Bhd.	96.87	96.87	Investment holding and development and production of aircraft composites components	31 March

3 COMPANIES IN THE GROUP (Continued)

Name of Company	Effective Equity Interest		Principal Activities	Financial Year End
	2016 %	2015 %		
SUBSIDIARY COMPANIES (Continued)				
Subsidiary companies of PUSPAKOM:				
Puspakom Teknik Sdn. Bhd.	100.00	100.00	Dormant	31 March
Flora Areana Sdn. Bhd.	100.00	100.00	Dormant	31 March
Subsidiary company of DRB-HICOM Northern Gateway Sdn. Bhd.:				
^s Northern Gateway Infrastructure Sdn. Bhd.	100.00	–	Construction of infrastructure works	31 March
Subsidiary company of MODENAS:				
Edaran Modenas Sdn. Bhd.	81.00	81.00	Distribution of motorcycles, related spare parts and accessories and servicing of motorcycles	31 March
Subsidiary companies of Bank Muamalat Malaysia Berhad:				
Muamalat Invest Sdn. Bhd.	70.00	70.00	Provision of Islamic fund management services	31 March
Muamalat Venture Sdn. Bhd.	70.00	70.00	Islamic venture capital	31 March
Muamalat Nominees (Tempatan) Sdn. Bhd.	70.00	70.00	Dormant	31 March
Muamalat Nominees (Asing) Sdn. Bhd.	70.00	70.00	Dormant	31 March

NOTES TO THE FINANCIAL STATEMENTS

- 31 March 2016

3 COMPANIES IN THE GROUP (Continued)

Name of Company	Effective Equity Interest		Principal Activities	Financial Year End
	2016 %	2015 %		
SUBSIDIARY COMPANIES (Continued)				
Subsidiary companies of Composites Technology Research Malaysia Sdn. Bhd.:				
* CTRM Testing Laboratory Sdn. Bhd. <i>(formerly known as Composites Testing Laboratory Asia Sdn. Bhd.)</i>	96.87	96.87	Composites laboratory testing services	31 March
* CTRM Aero Composites Sdn. Bhd.	96.87	96.87	Manufacturing of aerospace and non-aerospace composite components	31 March
* CTRM Aviation Sdn. Bhd.	96.87	96.87	Aircraft composites repair, engineering and maintenance services	31 March
* CTRM Systems Integration Sdn. Bhd.	96.87	96.87	Design, research and development of aircraft avionic and the production and marketing of market mission systems equipment and services	31 March
* Unmanned Systems Technology Sdn. Bhd.	49.40	49.40	Design, research and development, production and marketing of unmanned aircraft systems	31 March
* Aerotech Design Malaysia Sdn. Bhd.	96.87	96.87	Dormant	31 March
* CTRM Composites Engineering Sdn. Bhd.	96.87	96.87	Dormant	31 March
* CTRM Excelnet Engineering Sdn. Bhd.	84.08	84.08	Dormant	31 March
Subsidiary company of Media City Ventures Sdn. Bhd.:				
§ Media City Holdings Sdn. Bhd.	51.00	–	Investment holding	31 March

3 COMPANIES IN THE GROUP (Continued)

Name of Company	Effective Equity Interest		Principal Activities	Financial Year End
	2016 %	2015 %		
SUBSIDIARY COMPANIES (Continued)				
Subsidiary company of Media City Holdings Sdn. Bhd.:				
[§] Media City Development Sdn. Bhd.	51.00	–	Construction, operation and maintenance of infrastructure and broadcast system	31 March
Subsidiary companies of HICOM Holdings Berhad:				
* Automotive Corporation Holdings Sdn. Bhd.	100.00	100.00	Investment holding	31 March
* USF-HICOM Holdings Sdn. Bhd.	100.00	100.00	Investment holding	31 March
[®] Edaran Otomobil Nasional Berhad ("EON")	100.00	100.00	Investment holding and distributor and retailer of Jeep and other motor vehicles and their related spare parts including servicing of motor vehicles	31 March
* Comtrac Sdn. Bhd.	100.00	100.00	Provision of construction services	31 March
Glenmarie Development (Pahang) Sdn. Bhd.	100.00	100.00	Building and leasing property	31 March
Glenmarie Puchong Sdn. Bhd.	100.00	100.00	Property development	31 March
HICOM Berhad	100.00	100.00	Management of projects, rental of properties and investment holding	31 March
[®] HICOM Automotive Manufacturers (Malaysia) Sdn. Bhd.	100.00	100.00	Manufacturing and assembly of motor vehicles and other road transport vehicles	31 March
HICOM Diecastings Sdn. Bhd.	100.00	100.00	Manufacturing and supply of diecast parts for motorcycles, automobiles and other applications	31 March
HICOM Polymers Industry Sdn. Bhd.	100.00	100.00	Trading of mobile receptacles	31 March

NOTES TO THE FINANCIAL STATEMENTS

- 31 March 2016

3 COMPANIES IN THE GROUP (Continued)

Name of Company	Effective Equity Interest		Principal Activities	Financial Year End
	2016 %	2015 %		
SUBSIDIARY COMPANIES (Continued)				
Subsidiary companies of HICOM Holdings Berhad: (Continued)				
KL Airport Services Sdn. Bhd.	100.00	100.00	Provision of ground handling, in-flight catering, cargo handling, warehousing space and supply chain management including custom forwarding agent services	31 March
Proton City Development Corporation Sdn. Bhd.	100.00	100.00	Property development	31 March
PHN Industry Sdn. Bhd.	100.00	100.00	Manufacturing stamped metal parts, sub-assembly of automotive components for the motor industry and design and manufacturing of dies	31 March
Oriental Summit Industries Sdn. Bhd.	100.00	100.00	Contract manufacturing of motorcycle and automobile parts and components	31 March
Alam Flora Sdn. Bhd.	97.37	97.37	Management of integrated solid waste	31 March
Scott & English (Malaysia) Sdn. Bhd.	70.00	70.00	Investment holding	31 March
HICOM-Teck See Manufacturing Malaysia Sdn. Bhd.	51.00	51.00	Manufacturing and sale of thermo plastic and thermo setting products	31 March
* Bukit Kledek Development Sdn. Bhd.	100.00	100.00	Dormant	31 March
* HICOM Engineering Sdn. Bhd.	100.00	100.00	Dormant	31 March
* HICOM Technical and Engineering Services Sdn. Bhd.	100.00	100.00	Dormant	31 March
* NSE Development Sdn. Bhd.	100.00	100.00	Dormant	31 March
* HICOM Petro-Pipes Sdn. Bhd.	100.00	100.00	Dormant	31 March

3 COMPANIES IN THE GROUP (Continued)

Name of Company	Effective Equity Interest		Principal Activities	Financial Year End
	2016 %	2015 %		
SUBSIDIARY COMPANIES (Continued)				
Subsidiary companies of HICOM Holdings Berhad: (Continued)				
* Scott & English Electronics Holdings Sdn. Bhd.	70.00	70.00	Dormant	31 March
Subsidiary companies of PROTON:				
Lotus Advance Technologies Sdn. Bhd.	100.00	100.00	Investment holding	31 March
Proton Hartanah Sdn. Bhd.	100.00	100.00	Investment holding	31 March
Proton Marketing Sdn. Bhd.	100.00	100.00	Investment holding	31 March
Perusahaan Otomobil Nasional Sdn. Bhd.	100.00	100.00	Manufacturing, assembly and sale of motor vehicles and related products	31 March
Proton Tanjung Malim Sdn. Bhd.	100.00	100.00	Assembly of motor vehicles and related products	31 March
Subsidiary companies of Lotus Advance Technologies Sdn. Bhd.:				
^e Lotus Group International Limited	100.00	100.00	Investment holding	31 March
* ^f Symphony Lotus Limited	100.00	100.00	Investment holding	31 March
Miyazu (Malaysia) Sdn. Bhd.	66.00	66.00	Development, manufacturing and sale of products and services relating to dies, moulds and jigs	31 March
Proton Engineering Research Technology Sdn. Bhd.	100.00	100.00	Dormant	31 March
Subsidiary company of Symphony Lotus Limited:				
^j • Beijing Lotus Cars Sales Co., Ltd.	100.00	100.00	Importation and distribution of motor vehicles and related spare parts	31 December

NOTES TO THE FINANCIAL STATEMENTS

- 31 March 2016

3 COMPANIES IN THE GROUP (Continued)

Name of Company	Effective Equity Interest		Principal Activities	Financial Year End
	2016 %	2015 %		
SUBSIDIARY COMPANIES (Continued)				
Subsidiary company of Proton Hartanah Sdn. Bhd.:				
Proton Properties Sdn. Bhd.	100.00	100.00	Property development and related activities	31 March
Subsidiary companies of Proton Marketing Sdn. Bhd.:				
^e Proton Cars (UK) Limited	100.00	100.00	Distribution of motor vehicles	31 March
^a Proton Cars Australia Pty. Limited	100.00	100.00	Importation and distribution of motor vehicles and related spare parts	31 March
Proton Edar Sdn. Bhd.	100.00	100.00	Sale of motor vehicles, related spare parts and accessories	31 March
Proton Parts Centre Sdn. Bhd.	100.00	100.00	Trading of motor vehicle components, spare parts and accessories	31 March
^m Proton Motors (Thailand) Co. Limited	100.00	100.00	Importation and distribution of motor vehicles and related spare parts	31 March
HICOM-Potenza Sports Cars Sdn. Bhd.	100.00	100.00	Dormant	31 March
^{* h} Proton Motor Pars Co. (Private Joint Stock)	100.00	100.00	Dormant	31 March
Subsidiary companies of Perusahaan Otomobil Nasional Sdn. Bhd.:				
^c Proton Automobiles (China) Limited	100.00	100.00	Dormant	31 March
^g PT Proton Cikarang Indonesia (under voluntary liquidation)	100.00	100.00	Dormant	31 March

3 COMPANIES IN THE GROUP (Continued)

Name of Company	Effective Equity Interest		Principal Activities	Financial Year End
	2016 %	2015 %		
SUBSIDIARY COMPANIES (Continued)				
Subsidiary company of Lotus Group International Limited:				
^e Group Lotus Plc	100.00	100.00	Investment holding	31 March
Subsidiary companies of Group Lotus Plc:				
^e Lotus Cars Limited	100.00	100.00	Manufacturing of motor vehicles and engineering consultancy services	31 March
^b Lotus Holdings Inc.	100.00	100.00	Investment holding	31 March
^e Lotus Body Engineering Limited	100.00	100.00	Dormant	31 March
^e Lotus Motorsports Limited	100.00	100.00	Dormant	31 March
Subsidiary companies of Lotus Cars Limited:				
^j Lotus Engineering Co., Ltd. (Shanghai)	100.00	100.00	Engineering consultancy services	31 December
^e Lotus Engineering Limited	100.00	100.00	Engineering consultancy services	31 March
^e Lotus Youngman UK Automotive Company Limited	100.00	100.00	Dormant	31 March
Subsidiary companies of Lotus Holdings Inc.:				
^b Lotus Engineering Inc.	100.00	100.00	Engineering consultancy services	31 March
^b Lotus Cars USA Inc.	100.00	100.00	Sale and servicing of motor vehicles	31 March
Subsidiary company of Lotus Body Engineering Limited:				
^e Lotus Lightweight Structures Holdings Limited	100.00	100.00	Investment holding	31 March

NOTES TO THE FINANCIAL STATEMENTS

- 31 March 2016

3 COMPANIES IN THE GROUP (Continued)

Name of Company	Effective Equity Interest		Principal Activities	Financial Year End
	2016 %	2015 %		
SUBSIDIARY COMPANIES (Continued)				
Subsidiary company of Lotus Lightweight Structures Holdings Limited:				
^e Lotus Lightweight Structures Limited	100.00	100.00	Manufacturing of automotive components	31 March
Subsidiary company of Lotus Engineering Limited:				
Lotus Engineering Malaysia Sdn. Bhd.	100.00	100.00	Dormant	31 March
Subsidiary company of Proton Cars Australia Pty. Limited:				
^a Lotus Cars Australia Pty. Limited	100.00	100.00	Dormant	31 March
Subsidiary companies of Proton Edar Sdn. Bhd.:				
Automotive Conversion Engineering Sdn. Bhd.	100.00	100.00	Conversion and modification of motor vehicles and distribution of car accessories	31 March
EON Properties Sdn. Bhd.	100.00	100.00	Investment and management of properties	31 March
Lotus Cars Malaysia Sdn. Bhd.	100.00	100.00	Sale of motor vehicles, related spare parts and accessories	31 March
^g PT Proton Edar Indonesia	100.00	100.00	Sale of motor vehicles, related spare parts and accessories	31 March
^k Proton Singapore Pte. Limited	100.00	100.00	Dormant	31 March

3 COMPANIES IN THE GROUP (Continued)

Name of Company	Effective Equity Interest		Principal Activities	Financial Year End
	2016 %	2015 %		
SUBSIDIARY COMPANIES (Continued)				
Subsidiary company of Automotive Corporation Holdings Sdn. Bhd.:				
* Automotive Corporation (Malaysia) Sdn. Bhd.	100.00	100.00	Sale of motor vehicles and related spare parts and accessories	31 March
Subsidiary company of USF-HICOM Holdings Sdn. Bhd.:				
* DRB-HICOM Commercial Vehicles Sdn. Bhd.	100.00	100.00	Sale of motor vehicles and related spare parts and accessories	31 March
Subsidiary company of DRB-HICOM Commercial Vehicles Sdn. Bhd.:				
* HICOM Premier Malaysia Sdn. Bhd.	100.00	100.00	Dormant	31 March
Subsidiary company of HICOM Premier Malaysia Sdn. Bhd.:				
* Euro Truck & Bus (Malaysia) Sdn. Bhd.	100.00	100.00	Dormant	31 March
Subsidiary companies of Comtrac Sdn. Bhd.:				
* Comtrac Builders Sdn. Bhd.	100.00	100.00	Dormant	31 March
* Comtrac Trading Sdn. Bhd.	100.00	100.00	Dormant	31 March
* Comtrac Development Sdn. Bhd.	100.00	100.00	Dormant	31 March
* Comtrac Premises Sdn. Bhd.	100.00	100.00	Dormant	31 March
* Isti-Emas Sdn. Bhd.	100.00	100.00	Dormant	31 March
* Comtrac Glenview Sdn. Bhd.	51.00	51.00	Dormant	31 March
* Comtrac-Sabkar Development Sdn. Bhd.	51.00	51.00	Dormant	31 March

NOTES TO THE FINANCIAL STATEMENTS

- 31 March 2016

3 COMPANIES IN THE GROUP (Continued)

Name of Company	Effective Equity Interest		Principal Activities	Financial Year End
	2016 %	2015 %		
SUBSIDIARY COMPANIES (Continued)				
Subsidiary company of Comtrac Glenview Sdn. Bhd.:				
* Glenview Management Corporation Sdn. Bhd.	51.00	51.00	Dormant	31 March
Subsidiary companies of EON:				
DRB-HICOM Leasing Sdn. Bhd.	100.00	100.00	Provision of leasing of passenger and commercial vehicles	31 March
EON Auto Mart Sdn. Bhd.	100.00	100.00	Sale of motor vehicles and related spare parts and servicing of vehicles	31 March
Euromobil Sdn. Bhd.	100.00	100.00	Sale of motor vehicles and related spare parts and servicing of vehicles	31 March
HICOM Auto Sdn. Bhd.	100.00	100.00	Sale of motor vehicles and related spare parts and servicing of vehicles	31 March
Multi Automotive Service and Assist Sdn. Bhd.	100.00	100.00	Provision of emergency roadside vehicle assistance and supply of auto related products and services	31 March
DRB-HICOM EZ-Drive Sdn. Bhd.	100.00	100.00	Provision of car rental, leasing of passenger and commercial vehicles	31 March
EONMobil Sdn. Bhd.	100.00	100.00	Dormant	31 March
EON Technologies Sdn. Bhd.	100.00	100.00	Dormant	31 March
EON Trading Sdn. Bhd.	100.00	100.00	Dormant	31 March

3 COMPANIES IN THE GROUP (Continued)

Name of Company	Effective Equity Interest		Principal Activities	Financial Year End
	2016 %	2015 %		
SUBSIDIARY COMPANIES (Continued)				
Subsidiary companies of HICOM Berhad:				
Glenmarie Cove Development Sdn. Bhd.	100.00	100.00	Property development	31 March
Glenmarie Properties Sdn. Bhd.	100.00	100.00	Investment holding and provision of management services	31 March
HB Property Development Sdn. Bhd.	100.00	100.00	Property investment	31 March
* HICOM Builders Sdn. Bhd.	100.00	100.00	Civil engineering and building construction	31 March
Subsidiary companies of Glenmarie Properties Sdn. Bhd.:				
* HICOM Megah Sdn. Bhd.	100.00	100.00	Investment holding	31 March
Benua Kurnia Sdn. Bhd.	100.00	100.00	Property development	31 March
HICOM Indungan Sdn. Bhd.	100.00	100.00	Property development	31 March
* HICOM Vertex Sdn. Bhd.	100.00	100.00	Property development	31 March
* Kenyir Splendour Berhad	100.00	100.00	Resort management	31 March
Neraca Prisma Sdn. Bhd.	100.00	100.00	Property development	31 March
Puncak Permai Sdn. Bhd.	58.00	58.00	Investment holding	31 March
* Glenmarie Asset Management Sdn. Bhd.	100.00	100.00	Dormant	31 March
Jubli Premis Sdn. Bhd.	100.00	100.00	Dormant	31 March
Subsidiary company of HICOM Megah Sdn. Bhd.:				
* ^k Corwin Holding Pte. Ltd.	90.00	90.00	Owner and operator of a shopping mall	31 March

NOTES TO THE FINANCIAL STATEMENTS

- 31 March 2016

3 COMPANIES IN THE GROUP (Continued)

Name of Company	Effective Equity Interest		Principal Activities	Financial Year End
	2016 %	2015 %		
SUBSIDIARY COMPANIES (Continued)				
Subsidiary companies of HICOM Indungan Sdn. Bhd.:				
* Rebak Island Marina Berhad	100.00	100.00	Operation of a marina resort and property development	31 March
HICOM Tan & Tan Sdn. Bhd.	50.00	50.00	Dormant	31 March
Subsidiary company of Puncak Permai Sdn. Bhd.:				
Horsedale Development Berhad	70.60	70.60	Property development, management of hotel and golf resort	31 March
Subsidiary company of Horsedale Development Berhad:				
Kesturi Hektar Sdn. Bhd.	70.60	70.60	Dormant	31 March
Subsidiary company of HICOM Builders Sdn. Bhd.:				
* Imatex Management Services Sdn. Bhd.	100.00	100.00	Dormant	31 March
Subsidiary company of HICOM Polymers Industry Sdn. Bhd.:				
HICOM HBPO Sdn. Bhd.	60.00	60.00	Assembly, manufacturing and sale of front end modules and related components	31 March
Subsidiary companies of KL Airport Services Sdn. Bhd.:				
KLAS Engineering Services Sdn. Bhd.	100.00	100.00	Provision of aircraft maintenance and engineering services	31 March
@ * Konsortium Logistik Berhad	100.00	100.00	Provision of total logistics services and inventory solutions	31 March

3 COMPANIES IN THE GROUP (Continued)

Name of Company	Effective Equity Interest		Principal Activities	Financial Year End
	2016 %	2015 %		
SUBSIDIARY COMPANIES (Continued)				
Subsidiary companies of KL Airport Services Sdn. Bhd.: (Continued)				
DRB-HICOM Asia Cargo Express Sdn. Bhd.	100.00	100.00	Provision of air cargo transport	31 March
Subsidiary companies of Konsortium Logistik Berhad:				
* Aman Freight (Malaysia) Sdn. Bhd.	100.00	100.00	Freight and forwarding and other related services	31 March
* Cougar Logistics (Malaysia) Sdn. Bhd.	100.00	100.00	Freight and forwarding, warehousing and other related services	31 March
* Diperdana Kontena Sdn. Bhd.	100.00	100.00	Leasing of vehicles and mechanical equipment	31 March
* KP Asia Auto Logistics Sdn. Bhd.	100.00	100.00	Warehousing and inventory solutions, forwarding, shipping and transport agent	31 March
* KP Distribution Services Sdn. Bhd.	100.00	100.00	Distribution services	31 March
* Malaysian Shipping Agencies Sdn. Bhd.	100.00	100.00	Shipping agency services, freight and forwarding and other related services	31 March
* Pengangkutan Aspacs Sdn. Bhd.	100.00	100.00	Freight and forwarding and other related services	31 March
* PNSL Berhad	100.00	100.00	Shipping agency and chartering services	31 March
* Westport Distripark (M) Sdn. Bhd.	100.00	100.00	Business of a distribution park	31 March
* Asia Pacific Freight System Sdn. Bhd.	100.00	100.00	Dormant	31 March

NOTES TO THE FINANCIAL STATEMENTS

- 31 March 2016

3 COMPANIES IN THE GROUP (Continued)

Name of Company	Effective Equity Interest		Principal Activities	Financial Year End
	2016 %	2015 %		
SUBSIDIARY COMPANIES (Continued)				
Subsidiary companies of Konsortium Logistik Berhad: (Continued)				
* Diperdana Selatan Sdn. Bhd.	100.00	100.00	Dormant	31 March
* Diperdana Utara Sdn. Bhd.	100.00	100.00	Dormant	31 March
* Diperdana Terminal Services Sdn. Bhd.	100.00	100.00	Dormant	31 March
* Kaypi Logistics Depot Sdn. Bhd.	100.00	100.00	Dormant	31 March
* Kaypi Southern Terminal Sdn. Bhd.	100.00	100.00	Dormant	31 March
* North Terminal Sdn. Bhd.	100.00	100.00	Dormant	31 March
* ^m K.P.B. Sadao I.C.D. Company Limited	49.00	49.00	Dormant	31 March
Subsidiary companies of Aman Freight (Malaysia) Sdn. Bhd.:				
* Aman Freight Services Sdn. Bhd.	100.00	100.00	Dormant	31 March
* Maya Perkasa (M) Sdn. Bhd.	100.00	100.00	Dormant	31 March
Subsidiary companies of Malaysian Shipping Agencies Sdn. Bhd.:				
* Konsortium Logistik (Sabah) Sdn. Bhd.	100.00	100.00	Forwarding and related services	31 March
* Konsortium Logistik (Sarawak) Sdn. Bhd.	100.00	100.00	Dormant	31 March
Subsidiary companies of PNSL Berhad:				
* PNSL Risk Management Sdn. Bhd.	100.00	100.00	Insurance agency service	31 March
* Parcel Tankers Malaysia Sdn. Bhd.	51.00	51.00	Shipping agency, parcel tanker and chartering services	31 March

3 COMPANIES IN THE GROUP (Continued)

Name of Company	Effective Equity Interest		Principal Activities	Financial Year End
	2016 %	2015 %		
SUBSIDIARY COMPANIES (Continued)				
Subsidiary company of DRB-HICOM Asia Cargo Express Sdn. Bhd.:				
ⁿ Gading Sari Aviation Services Ltd.	100.00	100.00	Provision of aircraft leasing services	31 March
Subsidiary company of Oriental Summit Industries Sdn. Bhd.:				
Automotive Components Engineering Centre Sdn. Bhd.	100.00	100.00	Dormant	31 March
Subsidiary companies of Scott & English (Malaysia) Sdn. Bhd.:				
HICOM United Leasing Sdn. Bhd.	70.00	70.00	Dormant	31 March
^{\$*i} Myanmar Scott & English Company Limited	–	70.00	Dormant	31 March
^{\$*d} Scott & English (Cambodia) Limited	–	70.00	Dormant	31 March
Subsidiary company of PHN Industry Sdn. Bhd.:				
DRB-HICOM Mechatronics Sdn. Bhd.	100.00	100.00	Manufacturing, assembling and trading of automotive electrical & electronics components	31 March
Subsidiary company of Alam Flora Sdn. Bhd.:				
DRB-HICOM Environmental Services Sdn. Bhd.	97.37	97.37	Operating, maintaining and managing sanitary landfill and provision of waste treatment and environmental management	31 March

NOTES TO THE FINANCIAL STATEMENTS

- 31 March 2016

3 COMPANIES IN THE GROUP (Continued)

Name of Company	Effective Equity Interest		Principal Activities	Financial Year End
	2016 %	2015 %		
SUBSIDIARY COMPANIES (Continued)				
Subsidiary company of HICOM-Teck See Manufacturing Malaysia Sdn. Bhd.:				
^m HICOM Automotive Plastics (Thailand) Limited	50.99	50.99	Manufacturing of plastic injected parts and plastic injection moulds for automotive industry	31 March
Subsidiary companies of Intrakota Komposit Sdn. Bhd.:				
* Gemilang Komposit Auto Sdn. Bhd.	70.00	70.00	Dormant	31 March
* Mega Komposit Auto Sdn. Bhd.	70.00	70.00	Dormant	31 March
* S.J. Kenderaan Sdn. Bhd.	70.00	70.00	Dormant	31 March
* Syarikat Pengangkutan Malaysia Sendirian Berhad	69.99	69.99	Dormant	31 March
* Intrakota Consolidated Berhad	47.34	47.34	Dormant	31 March
* S.J. Binateknik Sdn. Bhd.	42.00	42.00	Dormant	31 March
JOINT VENTURES				
Joint venture of DRB-HICOM Berhad:				
Isuzu Malaysia Sdn. Bhd.	48.42	48.42	Importation, assembly and distribution of motor vehicles, components and parts	31 March
Joint ventures of PROTON:				
^{§j} Goldstar LOTUS Automobile Co., Ltd.	50.00	–	Research, development and manufacture of automobile key components	31 December
Exedy (Malaysia) Sdn. Bhd.	45.00	45.00	Manufacturing of car manual clutches, springs and related parts	31 December

3 COMPANIES IN THE GROUP (Continued)

Name of Company	Effective Equity Interest		Principal Activities	Financial Year End
	2016 %	2015 %		
JOINT VENTURES (Continued)				
Joint venture of Group Lotus Plc:				
* ^e Lotus Finance Limited	49.90	49.90	Provision of motor vehicles financing	31 December
Joint venture of Proton Edar Sdn. Bhd.:				
* Proton Commerce Sdn. Bhd.	50.00	50.00	Providing hire purchase or leasing facilities in respect of the purchase or use of PROTON and other vehicles	31 March
Joint ventures of HICOM Holdings Berhad:				
HICOM-HONDA Manufacturing Malaysia Sdn. Bhd.	48.00	48.00	Manufacturing and assembly of motorcycle engines and components	31 March
HICOM-YAMAHA Manufacturing Malaysia Sdn. Bhd.	45.00	45.00	Manufacturing and assembly of motorcycle engines and parts	31 March
Joint venture of EON:				
* Mitsubishi Motors Malaysia Sdn. Bhd.	48.00	48.00	Distribution of motor vehicles, vehicle components, spare parts and accessories	31 March
Joint venture of Horsedale Development Berhad:				
HICOM-Gamuda Development Sdn. Bhd.	35.30	35.30	Housing and property development and rental of properties	31 March

NOTES TO THE FINANCIAL STATEMENTS

- 31 March 2016

3 COMPANIES IN THE GROUP (Continued)

Name of Company	Effective Equity Interest		Principal Activities	Financial Year End
	2016 %	2015 %		
ASSOCIATED COMPANIES				
Associated companies of DRB-HICOM Berhad:				
* Honda Malaysia Sdn. Bhd.	34.00	34.00	Investment holding, assembly, manufacturing and sale of motor vehicles, accessories and components, trading of imported motor vehicles and related spare parts	31 March
@* Pos Malaysia Berhad	32.21	32.21	Provision of postal and related services	31 March
* Suzuki Malaysia Automobile Sdn. Bhd.	40.00	40.00	Dormant	31 March
Marak Unggul Sdn. Bhd.	29.99	29.99	Dormant	31 December
Associated company of PROTON:				
* Marutech Elastomer Industries Sdn. Bhd.	25.00	25.00	Manufacturing of automotive parts	31 March
Associated company of Perusahaan Otomobil Nasional Sdn. Bhd.:				
^{s1} Vina Star Motors Corporation	-	25.00	Assembly, manufacturing, maintenance and repairing of automobiles as well as the supply of automobile parts and importation of completely-built-up (CBU) cars	31 December
Associated company of Proton Cars (UK) Limited:				
* ^e Proton Finance Limited	49.99	49.99	Provision of dealer and customer financing	31 December

3 COMPANIES IN THE GROUP (Continued)

Name of Company	Effective Equity Interest		Principal Activities	Financial Year End
	2016 %	2015 %		
ASSOCIATED COMPANIES (Continued)				
Associated company of Proton Automobiles (China) Limited:				
*j Goldstar Proton Automobiles Co. Limited	49.00	49.00	Dormant	31 December
Associated companies of HICOM Holdings Berhad:				
ISUZU HICOM Malaysia Sdn. Bhd.	49.00	49.00	Manufacturing, assembly and sale of commercial vehicles	31 March
* Suzuki Motorcycle Malaysia Sdn. Bhd.	29.00	29.00	Investment holding and manufacturing, assembly and distribution of motorcycles and parts	31 December
Associated companies of EON:				
* SRT-EON Security Services Sdn. Bhd.	40.00	40.00	Provision of security services	30 June
§ * Johnson Controls Automotive Holding (M) Sdn. Bhd.	–	30.00	Manufacturing of car seats, seat paddings, steering wheels, and other car interior parts, investment holding and property letting	30 September
Associated company of Oriental Summit Industries Sdn. Bhd.:				
Faurecia HICOM Emissions Control Technologies (M) Sdn. Bhd.	35.00	35.00	Manufacturing, assemble, deliver and sell automotive exhaust systems and vehicles components	31 December
Associated company of HICOM Builders Sdn. Bhd.				
§ * Dekad Kaliber Sdn. Bhd.	49.00	–	Provision of engineering and construction services	31 December

NOTES TO THE FINANCIAL STATEMENTS

- 31 March 2016

3 COMPANIES IN THE GROUP (Continued)

@ All shares in these companies have been pledged for banking facilities as disclosed in Notes 37 and 43.

* These companies in the Group are audited by other firms of auditors other than Ernst & Young, Malaysia and member firms of Ernst & Young Global.

\$ The changes in the effective equity interest/reclassification of these companies in the Group are as disclosed in Notes 51 and 52.

a The country of incorporation is Australia.

b The country of incorporation is United States of America.

c The country of incorporation is British Virgin Islands.

d The country of incorporation is Cambodia.

e The country of incorporation is England.

f The country of incorporation is Hong Kong.

g The country of incorporation is Indonesia.

h The country of incorporation is Iran.

i The country of incorporation is Myanmar.

j The country of incorporation is People's Republic of China.

k The country of incorporation is Singapore.

l The country of incorporation is Socialist Republic of Vietnam.

m The country of incorporation is Thailand.

n The place of incorporation is Federal Territory of Labuan.

All the other companies are incorporated in Malaysia.

As mutually agreed by respective shareholders, the financial year end of certain joint ventures and associated companies do not coincide with the Group.

- Due to the local statutory regulation's requirement, the financial year end of those subsidiary companies incorporated in People's Republic of China is different from the Group's financial year end.

4 REVENUE

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Sale of goods	7,491,492	9,281,193	-	-
Rendering of services	1,750,230	1,652,061	-	-
Construction contracts	1,559,233	1,384,041	-	-
Banking	1,202,488	1,042,824	-	-
Sale of land and development properties	169,498	180,883	-	-
Insurance business	-	146,837	-	-
Dividend income from subsidiary companies, associated companies and a joint venture	-	-	335,781	283,166
Interest income from subsidiary companies	-	-	50,161	8,429
Rental income from subsidiary companies and an associated company	-	-	13,492	13,603
	12,172,941	13,687,839	399,434	305,198

5 COST OF SALES

	Group	
	2016 RM'000	2015 (Restated) RM'000
Cost of inventories	7,470,088	8,389,781
Cost of services rendered	1,384,232	1,403,437
Cost of construction contracts, sale of land and development properties	1,515,748	1,252,929
Cost of banking	631,479	562,908
Cost of insurance business	-	119,294
	11,001,547	11,728,349

NOTES TO THE FINANCIAL STATEMENTS

- 31 March 2016

6 (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging/(crediting) the following:

	Note	Group		Company	
		2016 RM'000	2015 (Restated) RM'000	2016 RM'000	2015 RM'000
Allowance for investment securities and financing of customers (net)		97,582	100,454	-	-
Allowance for doubtful debts (net of write backs)					
- trade and other receivables		24,006	11,725	-	-
- project development receivables		120,500	-	-	-
Amortisation of					
- concession assets	14	12,182	11,488	-	-
- intangible assets	21	178,579	131,083	-	-
- prepaid lease properties	15	1,388	1,499	-	-
Auditors' remuneration		6,911	6,598	270	250
Depreciation of property, plant and equipment	13	544,742	532,997	252	273
Directors' emoluments	7	10,679	10,441	925	953
Finance costs	9	382,094	392,054	151,215	162,719
Impairment loss of/(reversal of impairment loss), net					
- intangible assets	21	81,473	1,937	-	-
- investment in an associated company		-	-	530	-
- investment in a subsidiary company		-	-	581,000	-
- investment securities:					
available-for-sale		22,825	(21,934)	-	-
- land held for property development	17(a)	-	(22,147)	-	-
- property, plant and equipment	13	4,355	1,497	-	-
Inventories written off/down (net of write backs)		29,659	12,274	-	-

6 (LOSS)/PROFIT BEFORE TAXATION (Continued)

(Loss)/profit before taxation is arrived at after charging/(crediting) the following: (Continued)

	Note	Group		Company	
		2016 RM'000	2015 (Restated) RM'000	2016 RM'000	2015 RM'000
Loss/(gain) on dilution/disposal of interest in a joint venture		-	20	-	(15,342)
Marked to market loss/(gain) on derivatives (net)	33(b)	75,519	(4,230)	-	-
Provision for concession assets	39	27,882	25,892	-	-
Provision for liabilities and charges (net)	38	32,390	41,426	-	-
Rental of plant and machinery and equipment		95,867	103,489	-	-
Rental of premises		114,074	118,181	-	-
Research and development expenditure		21,481	40,653	-	-
Staff costs	8	1,782,349	1,845,537	-	-
Write off of property, plant and equipment	13	2,805	4,092	-	-
Amortisation of deferred income	36	(59,361)	(38,830)	-	-
Dividend income					
- quoted investments		-	-	(22,663)	(12,283)
- unquoted investments		-	-	(313,118)	(270,883)
Gain on disposal of					
- assets held for sale		(12,267)	(46)	-	-
- investment securities:					
available-for-sale		(10,250)	(10,928)	-	-
- investment securities:					
financial assets at fair value through profit or loss		(617)	(4,420)	-	-
- property, plant and equipment		(9,290)	(2,464)	-	-
- subsidiary companies		-	(97,424)	-	-
(Gain)/loss on fair value adjustments of investment properties	16	(15,420)	(892)	8,134	8,377

NOTES TO THE FINANCIAL STATEMENTS

- 31 March 2016

6 (LOSS)/PROFIT BEFORE TAXATION (Continued)

(Loss)/profit before taxation is arrived at after charging/(crediting) the following: (Continued)

	Group		Company	
	2016	2015 (Restated)	2016	2015
	RM'000	RM'000	RM'000	RM'000
Interest income on				
- short term deposits	(53,126)	(65,132)	(6,749)	(9,401)
- subsidiary companies	-	-	(50,161)	(8,429)
Realised foreign exchange differences (net)	(13,181)	(27,393)	-	-
Rental income	(19,032)	(20,963)	(13,492)	(13,603)
Unrealised foreign exchange differences (net)	(32,996)	(21,627)	-	-

7 DIRECTORS' EMOLUMENTS

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Non-executive Directors:				
- fees	919	897	751	785
- allowances and other benefits	1,297	1,214	174	168
Executive Directors:				
- salaries, bonuses, fees, allowances and other benefits	8,018	7,201	-	-
- defined contribution plan	445	1,129	-	-
	10,679	10,441	925	953

The estimated value of benefits-in-kind received by Directors amounted to RM26,658 (2015: RM23,525).

8 STAFF COSTS

	Note	Group	
		2016 RM'000	2015 RM'000
Salaries, wages, bonuses, allowances and other benefits		1,593,360	1,616,585
Defined contribution plan		171,330	175,731
Defined benefit plan	40(d)	17,659	16,496
Termination benefits		-	36,725
		1,782,349	1,845,537

9 FINANCE COSTS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Interest expense on borrowings	373,213	388,501	148,729	161,667
Hire purchase and finance lease charges	2,921	1,314	-	-
Total interest expense	376,134	389,815	148,729	161,667
Less: Interest expense capitalised in				
- property, plant and equipment	(6,134)	(789)	-	-
- intangible assets	(1,138)	(1,129)	-	-
- property development costs	(965)	(2,907)	-	-
	(8,237)	(4,825)	-	-
Recognised in profit or loss	367,897	384,990	148,729	161,667
Other finance charges	10,369	5,783	2,486	1,052
Unwinding of discount	3,828	1,281	-	-
	382,094	392,054	151,215	162,719

NOTES TO THE FINANCIAL STATEMENTS

- 31 March 2016

10 TAXATION

	Note	Group		Company	
		2016 RM'000	2015 (Restated) RM'000	2016 RM'000	2015 RM'000
Statement of Comprehensive Income:					
Current taxation					
- Malaysian tax		29,566	25,688	4,060	1,190
- Foreign tax		(70)	26	-	-
- Under/(over) provision in respect of prior financial year		16,509	(11,437)	(540)	(2,513)
		46,005	14,277	3,520	(1,323)
Deferred taxation					
- Current year	22	37,991	108,981	(822)	(369)
- Effects of reduction in tax rate		-	2,884	-	(103)
- Over provision in respect of prior financial year		(34,505)	(9,364)	-	(197)
		3,486	102,501	(822)	(669)
Total taxation charge		49,491	116,778	2,698	(1,992)
Deferred taxation related to other comprehensive income:					
Deferred taxation	22	3,412	7,185	-	-

Income tax is calculated at the statutory tax rate of 24% (2015: 25%) of the estimate assessable profit for the year.

10 TAXATION (Continued)

The explanation of the relationship between taxation charge and (loss)/profit before taxation is as follows:

	Group		Company	
	2016	2015 (Restated)	2016	2015
	RM'000	RM'000	RM'000	RM'000
<u>Numerical reconciliation of effective taxation charge</u>				
(Loss)/profit before taxation	(821,267)	501,834	(386,574)	126,458
Tax calculated at the Malaysian tax rate of 24% (2015: 25%)	(197,104)	125,459	(92,778)	31,615
Tax effects of:				
- adjustment of opening deferred tax from reduction in income tax rate	-	2,884	-	(103)
- deferred tax recognised at different tax rate	-	(3,019)	-	25
- different tax rates	9,060	(38,828)	-	-
- expenses not deductible for tax purposes	112,349	128,500	176,603	43,808
- income not subject to tax	(105,202)	(164,847)	(80,587)	(74,627)
- tax allowances not recognised	105,179	1,884	-	-
- tax losses not recognised	212,195	182,826	-	-
- temporary differences not recognised	5,278	8,005	-	-
- utilisation of previously unrecognised tax allowances	(3,293)	(7,837)	-	-
- utilisation of previously unrecognised tax losses	-	(338)	-	-
- utilisation of previously unrecognised temporary differences	(2,650)	(1,047)	-	-
- share of results of joint ventures	(8,733)	(10,118)	-	-
- share of results of associated companies	(59,592)	(85,945)	-	-
Sub-total carried forward	67,487	137,579	3,238	718

NOTES TO THE FINANCIAL STATEMENTS

- 31 March 2016

10 TAXATION (Continued)

The explanation of the relationship between taxation charge and (loss)/profit before taxation is as follows: (Continued)

	Group		Company	
	2016	2015 (Restated)	2016	2015
	RM'000	RM'000	RM'000	RM'000
<u>Numerical reconciliation of effective taxation charge (Continued)</u>				
Tax effects of: (Continued)				
Sub-total brought forward	67,487	137,579	3,238	718
Under/(over) provision of current taxation in respect of prior financial year	16,509	(11,437)	(540)	(2,513)
Over provision of deferred taxation in respect of prior financial year	(34,505)	(9,364)	-	(197)
Taxation charge	49,491	116,778	2,698	(1,992)

Unabsorbed tax losses, unutilised capital allowances, unutilised reinvestment allowances and other deductible temporary differences of the Group which are available for set-off against future taxable profit for which the tax effects have not been recognised in the financial statements are shown below:

	Group	
	2016 RM'000	2015 RM'000
Unabsorbed tax losses	4,005,408	3,121,260
Unutilised capital allowances	2,537,802	2,113,276
Unutilised reinvestment allowances	2,282,163	2,285,815
Other deductible temporary differences	152,880	138,282

11 DIVIDENDS

Dividends paid and proposed are as follows:

	Group and Company	
	2016	2015
	RM'000	RM'000
Dividend paid		
In respect of the financial year ended 31 March 2015:		
Single tier final dividend of 4.5 sen per share, paid on 9 October 2015 (2014: Single tier final dividend of 4.5 sen per share)	86,996	86,996
In respect of the financial year ended 31 March 2016:		
Single tier interim dividend of nil sen per share (2015: Single tier interim dividend of 1.5 sen per share)	-	28,999

At the forthcoming Annual General Meeting of the Company, a single tier first and final dividend of 2.0 sen per share amounting to RM38,664,741 in respect of the financial year ended 31 March 2016 will be proposed for shareholders' approval. These financial statements do not reflect this final dividend which will be paid in the financial year ending 31 March 2017 when approved by shareholders.

12 (LOSS)/EARNINGS PER SHARE

The basic and diluted (loss)/earnings per share is calculated by dividing the Group's net (loss)/profit attributable to Owners of the Company by the number of shares in issue during the financial year.

	2016	Group 2015 (Restated)
Net (loss)/profit attributable to Owners of the Company (RM'000)	(991,900)	300,195
Number of ordinary shares in issue ('000)	1,933,237	1,933,237
Basic and diluted (loss)/earnings per share (sen)	(51.31)	15.53

NOTES TO THE FINANCIAL STATEMENTS

- 31 March 2016

13 PROPERTY, PLANT AND EQUIPMENT

GROUP 2016	Note	Freehold land RM'000	Short term leasehold land RM'000	Long term leasehold land RM'000	Buildings, golf course and improve- ments RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Office equipment RM'000	Furniture and fittings RM'000	Capital work-in- progress RM'000	Total RM'000
At 1 April 2015		1,112,435	4,937	114,030	2,082,722	1,352,195	261,814	335,418	46,101	253,302	5,562,954
Acquisition of subsidiary companies	51(i)	-	-	-	908	-	-	4	88	-	1,000
Additions		-	-	663	54,795	61,346	78,953	48,290	8,827	454,732	707,606
Disposals		-	-	-	(554)	(5,494)	(15,268)	(2,284)	(2,493)	-	(26,093)
Written off	6	-	-	-	(167)	(2,308)	(42)	(195)	(79)	(14)	(2,805)
Depreciation charge	6	-	(40)	(3,018)	(102,156)	(271,812)	(52,544)	(95,430)	(19,742)	-	(544,742)
Impairment losses	6	-	-	-	(2,963)	(896)	(422)	(68)	(6)	-	(4,355)
Currency translation differences		8	-	-	4,917	546	3,110	1,992	489	1,120	12,182
Reclassification		-	-	-	66,309	239,033	-	(63,813)	19,206	(260,735)	-
Transfer to investment properties	16	-	-	-	(1,295)	-	-	-	-	-	(1,295)
Transfer to intangible assets	21	-	-	-	-	-	-	(5,941)	-	-	(5,941)
Transfer from inventories		-	-	-	-	-	387	-	-	-	387
Transfer from assets held for sale		4,429	-	-	-	-	-	-	-	-	4,429
Transfer from land held for property development	17(a)	4,167	-	-	-	-	-	-	-	-	4,167
Adjustments	(a)	-	-	-	556	-	-	-	-	-	556
At 31 March 2016		1,121,039	4,897	111,675	2,103,072	1,372,610	275,988	217,973	52,391	448,405	5,708,050

13 PROPERTY, PLANT AND EQUIPMENT (Continued)

GROUP 2016 (Continued)	Freehold land RM'000	Short term leasehold land RM'000	Long term leasehold land RM'000	Buildings, golf course and improve- ments RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Office equipment RM'000	Furniture and fittings RM'000	Capital work-in- progress RM'000	Total RM'000
Cost	1,137,914	5,587	139,063	3,862,102	7,085,623	526,053	1,292,036	301,969	448,405	14,798,752
Accumulated depreciation	-	(690)	(26,804)	(1,588,925)	(5,385,743)	(248,138)	(1,072,490)	(248,565)	-	(8,571,355)
Accumulated impairment losses	(16,875)	-	(584)	(170,105)	(327,270)	(1,927)	(1,573)	(1,013)	-	(519,347)
Net book value	1,121,039	4,897	111,675	2,103,072	1,372,610	275,988	217,973	52,391	448,405	5,708,050

- (a) The adjustments were related to gain on fair value adjustment arising upon the transfer of property, plant and equipment to investment properties in a subsidiary company.

NOTES TO THE FINANCIAL STATEMENTS

- 31 March 2016

13 PROPERTY, PLANT AND EQUIPMENT (Continued)

GROUP	Note	Freehold land RM'000	Short term leasehold land RM'000	Long term leasehold land RM'000	Buildings, golf course and improve-ments RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Office equipment RM'000	Furniture and fittings RM'000	Capital work-in-progress RM'000	Total RM'000
2015 (Restated)		1,143,407	5,053	119,251	2,144,546	1,341,777	161,254	335,495	53,716	301,229	5,605,728
At 1 April 2014		-	-	-	167	418	7,254	403	65	-	8,307
Acquisition of subsidiary companies	51(iv)	-	-	-	-	-	-	-	-	-	-
Disposal of a subsidiary company	52(iii)	144	-	(3,357)	(27,016)	-	(300)	(2,795)	(1,596)	-	(34,920)
Additions		-	-	-	12,620	92,141	140,270	64,764	11,270	230,471	551,536
Disposals		-	-	-	(139)	(1,945)	(8,268)	(1,368)	(1,232)	(287)	(13,239)
Written off	6	-	-	(539)	(265)	(1,316)	(75)	(487)	(376)	(1,034)	(4,092)
Depreciation charge	6	-	(116)	(1,532)	(97,312)	(264,378)	(42,227)	(107,538)	(19,894)	-	(532,997)
Reversal of impairment losses/ (impairment losses)	6	-	-	-	217	(1,770)	-	48	8	-	(1,497)
Currency translation differences		2,110	-	-	1,292	(4,499)	(93)	949	53	564	376
Reclassification		-	-	-	45,042	191,625	-	30,444	4,100	(271,211)	-
Transfer (to)/from investment properties	16	(43,632)	-	-	3,570	-	-	-	-	-	(40,062)
Transfer from prepaid lease properties	15	-	-	207	-	-	-	-	-	-	207
Transfer from/(to) intangible assets	21	-	-	-	-	-	-	15,467	-	(6,430)	9,037
Sub-total		1,102,029	4,937	114,030	2,082,722	1,352,053	257,815	335,382	46,114	253,302	5,548,384

13 PROPERTY, PLANT AND EQUIPMENT (Continued)

GROUP 2015 (Restated) (Continued)	Note	Buildings, golf course and							Capital work-in- progress RM'000	Total RM'000	
		Freehold land RM'000	Short term leasehold land RM'000	Long term leasehold land RM'000	improve- ments RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Office equipment RM'000			Furniture and fittings RM'000
Sub-total		1,102,029	4,937	114,030	2,082,722	1,352,053	257,815	335,382	46,114	253,302	5,548,384
Transfer from inventories		-	-	-	-	-	4,099	-	-	-	4,099
Transfer (to)/from assets held for sale		(4,429)	-	-	-	142	(100)	36	(13)	-	(4,364)
Adjustments	(a)	14,835	-	-	-	-	-	-	-	-	14,835
At 31 March 2015		1,112,435	4,937	114,030	2,082,722	1,352,195	261,814	335,418	46,101	253,302	5,562,954
Cost		1,129,311	7,192	136,796	3,733,885	6,874,597	487,321	1,474,414	283,071	253,302	14,379,889
Accumulated depreciation		-	(2,255)	(22,182)	(1,456,937)	(5,199,395)	(225,507)	(1,137,499)	(235,971)	-	(8,279,746)
Accumulated impairment losses		(16,876)	-	(584)	(194,226)	(323,007)	-	(1,497)	(999)	-	(537,189)
Net book value		1,112,435	4,937	114,030	2,082,722	1,352,195	261,814	335,418	46,101	253,302	5,562,954

(a) The adjustments were related to gain on fair value adjustment arising upon the transfer of property, plant and equipment to investment properties in a subsidiary company.

NOTES TO THE FINANCIAL STATEMENTS

- 31 March 2016

13 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Note	Plant and machinery RM'000	Motor vehicles RM'000	Office equipment RM'000	Furniture and fittings RM'000	Total RM'000
COMPANY						
2016						
At 1 April 2015		400	9	194	20	623
Depreciation charge	6	(200)	-	(44)	(8)	(252)
At 31 March 2016		200	9	150	12	371
Cost		12,154	525	393	42	13,114
Accumulated depreciation		(11,954)	(516)	(243)	(30)	(12,743)
Net book value		200	9	150	12	371
2015						
At 1 April 2014		600	26	242	28	896
Depreciation charge	6	(200)	(17)	(48)	(8)	(273)
At 31 March 2015		400	9	194	20	623
Cost		12,154	525	393	42	13,114
Accumulated depreciation		(11,754)	(516)	(199)	(22)	(12,491)
Net book value		400	9	194	20	623

- (b) Certain property, plant and equipment of the Group with a net book value of RM1,839,025,000 (2015: RM1,752,451,000) have been charged as security for bank borrowings (Notes 37 and 43).
- (c) The details of motor vehicles, plant and machinery, and office equipment acquired under hire purchase and finance lease agreements included under property, plant and equipment of the Group are as follows:

	Group	
	2016 RM'000	2015 RM'000
Additions during the financial year:		
- Plant and machinery	485	6,856
- Motor vehicles	20,573	1,161
- Office equipment	1,905	-
	22,963	8,017

13 PROPERTY, PLANT AND EQUIPMENT (Continued)

- (c) The details of motor vehicles, plant and machinery, and office equipment acquired under hire purchase and finance lease agreements included under property, plant and equipment of the Group are as follows: (Continued)

	Group	
	2016 RM'000	2015 RM'000
Net book value at financial year end:		
- Plant and machinery	20,069	30,497
- Motor vehicles	23,705	20,274
- Office equipment	1,377	-
	45,151	50,771

14 CONCESSION ASSETS

	Note	Group	
		2016 RM'000	2015 RM'000
At beginning of the financial year		230,651	242,139
Effect of changes in estimates	39	8,582	-
Amortisation charge	6	(12,182)	(11,488)
At end of the financial year		227,051	230,651
Cost		278,299	269,717
Accumulated amortisation		(51,248)	(39,066)
Net book value		227,051	230,651

- (a) The concession assets of the Group with a net book value of RM220,492,000 (2015: RM218,328,000) have been charged as security for bank borrowings (Notes 37 and 43).
- (b) The details of plant and machinery acquired under hire purchase and finance lease agreements included under concession assets of the Group are as follows:

	Group	
	2016 RM'000	2015 RM'000
Net book value at financial year end	10,159	12,323

NOTES TO THE FINANCIAL STATEMENTS

- 31 March 2016

15 PREPAID LEASE PROPERTIES

	Note	Short term leasehold land RM'000	Long term leasehold land RM'000	Total RM'000
Group				
2016				
At 1 April 2015		8,916	44,496	53,412
Amortisation charge	6	(582)	(806)	(1,388)
At 31 March 2016		8,334	43,690	52,024
Cost		9,588	46,341	55,929
Accumulated amortisation		(1,254)	(2,651)	(3,905)
Net book value		8,334	43,690	52,024
2015				
At 1 April 2014		9,498	48,572	58,070
Amortisation charge	6	(582)	(917)	(1,499)
Adjustments	(a)	–	294	294
Transfer to investment properties	16	–	(3,246)	(3,246)
Transfer to property, plant and equipment	13	–	(207)	(207)
At 31 March 2015		8,916	44,496	53,412
Cost		9,588	46,341	55,929
Accumulated amortisation		(672)	(1,845)	(2,517)
Net book value		8,916	44,496	53,412

- (a) The adjustments are relating to gain on fair value adjustment arising upon the transfer of prepaid lease properties to investment properties in a subsidiary company.
- (b) Certain prepaid lease properties of the Group with net book value of RM5,740,000 (2015: RM5,885,000) have been charged as security for bank borrowings (Notes 37 and 43).

16 INVESTMENT PROPERTIES

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At fair value					
At beginning of the financial year		560,325	540,505	144,316	151,400
Disposal of a subsidiary company	52(iii)	-	(46,848)	-	-
Additions		22,991	8,048	173	1,293
Changes in fair value	6	15,420	892	(8,134)	(8,377)
Currency translation differences		28,736	14,420	-	-
Transfer from property, plant and equipment	13	1,295	40,062	-	-
Transfer from prepaid lease properties	15	-	3,246	-	-
Transfer to assets held for sale	27	(10,812)	-	-	-
At end of the financial year		617,955	560,325	136,355	144,316

The disclosure on income and expenses of investment properties are as below:

Rental income	34,509	26,135	13,492	13,603
Direct operating expenses from investment properties that generated rental income during the financial year	11,916	10,701	960	1,259
Direct operating expenses from investment properties that did not generate rental income during the financial year	519	123	-	-

- (a) The fair value of the investment properties of the Group and of the Company were based on valuations by independent qualified valuers. Valuations for the investment properties were based on investment and market comparison methods.
- (b) Certain investment properties of the Group and of the Company with carrying value of RM454,495,000 (2015: RM439,244,000) and RM106,055,000 (2015: RM114,816,000) respectively have been charged as security for bank borrowings (Notes 37 and 43).
- (c) The fair value measurement of the investment properties is disclosed in Note 60.

NOTES TO THE FINANCIAL STATEMENTS

- 31 March 2016

17 PROPERTY DEVELOPMENT ACTIVITIES

(a) Land held for property development

	Note	Group	
		2016 RM'000	2015 RM'000
<u>At cost</u>			
At beginning of the financial year			
Land		510,092	549,057
Development costs		217,994	206,396
Accumulated impairment losses		-	(22,147)
		728,086	733,306
Add: Costs incurred during the financial year			
- Land		148,875	-
- Development costs		27,183	24,622
		176,058	24,622
Transfer from/(to) property development costs	17(b)		
- Land		54,645	(38,965)
- Development costs		30,519	(13,024)
		85,164	(51,989)
Transfer to property, plant and equipment	13		
- Land		(772)	-
- Development costs		(3,395)	-
		(4,167)	-
Reversal of impairment loss	6		
		-	22,147
At end of the financial year		985,141	728,086
<u>At end of the financial year</u>			
Land		712,840	510,092
Development costs		272,301	217,994
		985,141	728,086

17 PROPERTY DEVELOPMENT ACTIVITIES (Continued)

(b) Property development costs

	Note	Group	
		2016 RM'000	2015 RM'000
<u>At cost</u>			
At beginning of the financial year			
Land		149,472	120,005
Development costs		435,320	425,814
Accumulated costs charged to profit or loss		(264,097)	(288,108)
		320,695	257,711
Less: Completed developments in previous years			
- Land		(5,225)	(9,520)
- Development costs		(97,920)	(108,894)
- Accumulated costs charged to profit or loss		103,145	118,414
		-	-
Add: Costs incurred during the financial year			
- Land		657	60
- Development costs		161,437	106,829
		162,094	106,889
Transfer (to)/from land held for property development	17(a)		
- Land		(54,645)	38,965
- Development costs		(30,519)	13,024
		(85,164)	51,989
Transfer to inventories			
- Land		(275)	(38)
- Development costs		(6,600)	(1,453)
		(6,875)	(1,491)
Less: Costs recognised as expense in profit or loss during the financial year		(106,605)	(94,403)
At end of the financial year		284,145	320,695

NOTES TO THE FINANCIAL STATEMENTS

- 31 March 2016

17 PROPERTY DEVELOPMENT ACTIVITIES (Continued)

(b) Property development costs (Continued)

	Group	
	2016 RM'000	2015 RM'000
<u>At end of the financial year</u>		
Land	89,984	149,472
Development costs	461,718	435,320
Accumulated costs charged to profit or loss	(267,557)	(264,097)
	284,145	320,695

(c) Land held for property development and property development costs with carrying value of RM412,053,000 (2015: RM424,688,000) belonging to subsidiary companies have been charged as security for bank borrowings (Notes 37 and 43).

18 SUBSIDIARY COMPANIES

	Company	
	2016 RM'000	2015 RM'000
Unquoted shares, at cost	8,748,409	8,533,905
Less: Accumulated impairment losses	(629,677)	(48,677)
Total	8,118,732	8,485,228

(a) The details of the subsidiary companies are listed in Note 3.

(b) As part of conditions precedent to the acquisition of 70% equity in Bank Muamalat Malaysia Berhad ("BMMB"), Bank Negara Malaysia requires the Company to reduce its investment in BMMB to 40%. The Company is considering various options to address this matter.

(c) The shares of a subsidiary company with carrying amount of RM2,549,308,000 (2015: RM3,030,308,000) has been charged as security for bank borrowings (Notes 37 and 43).

(d) The Group's subsidiary companies that have material non-controlling interest ("NCI"), based on effective equity interest are as follows:

Effective equity interest held by NCI

	2016	2015
Uni.Asia Capital Sdn. Bhd.	49.00%	49.00%
Bank Muamalat Malaysia Berhad	30.00%	30.00%
Horsedale Development Berhad	29.40%	29.40%

18 SUBSIDIARY COMPANIES (Continued)

(d) The Group's subsidiary companies that have material NCI, based on effective equity interest are as follows: (Continued)

	Uni.Asia Capital Sdn. Bhd. RM'000	Bank Muamalat Malaysia Berhad RM'000	Horsedale Development Berhad RM'000	Uni.Asia General Insurance Berhad RM'000	Others RM'000	Total RM'000
2016						
Carrying value of NCI	11,423	617,046	103,852	-	176,021	908,342
Net profit/(loss) for the financial year attributable to NCI	566	40,145	8,026	-	(4,460)	44,277
2015						
Carrying value of NCI	97,317	574,101	98,762	-	189,110	959,290
Net profit/(loss) for the financial year attributable to NCI	32,625	26,831	5,453	11,615	(6,064)	70,460

NOTES TO THE FINANCIAL STATEMENTS

- 31 March 2016

18 SUBSIDIARY COMPANIES (Continued)

- (e) The summarised financial information (before inter-company eliminations) of these subsidiary companies that have material NCI, not adjusted for the ownership interest held by the Group, are as follows:

	Uni.Asia Capital Sdn. Bhd. RM'000	Bank Muamalat Malaysia Berhad RM'000	Horsedale Development Berhad RM'000
<u>As at 31 March 2016</u>			
Non-current assets	–	16,903,084	283,517
Current assets	23,398	5,743,777	210,204
Non-current liabilities	–	(495,601)	(83,979)
Current liabilities	(83)	(20,152,776)	(59,480)
Net assets	<u>23,315</u>	<u>1,998,484</u>	<u>350,262</u>
<u>Financial year ended 31 March 2016</u>			
Revenue	–	1,212,694	124,486
Net profit for the financial year	1,154	134,456	27,366
Cash flows (used in)/generated from operating activities	(165)	(801,589)	31,832
Cash flows generated from investing activities	–	664,346	4,178
Cash flows used in financing activities	(123,447)	(20,600)	(10,244)
Net (decrease)/increase in cash and cash equivalents	<u>(123,612)</u>	<u>(157,843)</u>	<u>25,766</u>
Dividends paid to NCI	–	–	2,933

18 SUBSIDIARY COMPANIES (Continued)

- (e) The summarised financial information (before inter-company eliminations) of these subsidiary companies that have material NCI, not adjusted for the ownership interest held by the Group, are as follows: (Continued)

	Uni.Asia Capital Sdn. Bhd. RM'000	Bank Muamalat Malaysia Berhad RM'000	Horsedale Development Berhad RM'000	Uni.Asia General Insurance Berhad * RM'000
<u>As at 31 March 2015</u>				
Non-current assets	–	16,891,643	256,962	–
Current assets	200,085	5,546,393	223,482	–
Non-current liabilities	–	(495,149)	(88,682)	–
Current liabilities	(1,477)	(20,088,193)	(58,799)	–
Net assets	198,608	1,854,694	332,963	–
<u>Financial year ended 31 March 2015</u>				
Revenue	–	1,063,515	132,499	150,331
Net profit for the financial year	291,212	89,280	18,582	17,796
Cash flows generated from operating activities	15,748	728,033	54,898	30,977
Cash flows generated from/(used in) investing activities	374,519	(567,536)	8,005	(376)
Cash flows used in financing activities	(355,198)	(20,600)	(34,074)	(673)
Net increase in cash and cash equivalents	35,069	139,897	28,829	29,928
Dividends paid to NCI	141,708	–	10,290	–

* The figures are for the period from 1 April 2014 to the date of disposal (Note 52(iii)(b)).

NOTES TO THE FINANCIAL STATEMENTS

- 31 March 2016

19 JOINT VENTURES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Share of net assets	451,023	390,252	-	-
Unquoted shares, at cost	-	-	4,686	4,686

- (a) The details of the joint ventures, all of which are unquoted, are listed in Note 3.
- (b) None of the Group's joint ventures are material individually or in aggregate to the financial position, financial performance and cash flows of the Group.
- (c) The summarised financial information of the joint ventures, not adjusted for the proportion of ownership interest held by the Group, are as follows:

	2016 RM'000	2015 RM'000
Non-current assets	1,830,742	1,872,910
Current assets	1,626,169	1,260,041
Non-current liabilities	(1,721,284)	(1,395,470)
Current liabilities	(784,272)	(894,986)
Net assets	951,355	842,495
Revenue	2,672,113	2,658,879
Expenses	(2,606,299)	(2,583,987)
Profit before taxation	65,814	74,892
Taxation	(18,152)	(20,978)
Net profit representing total comprehensive income	47,662	53,914

19 JOINT VENTURES (Continued)

(d) The summarised financial information based on Group's interest in joint ventures for the years are as follows:

	Group	
	2016 RM'000	2015 RM'000
Non-current assets	892,162	913,063
Current assets	799,421	610,265
Non-current liabilities	(860,494)	(697,504)
Current liabilities	(380,066)	(435,572)
Net assets	<u>451,023</u>	<u>390,252</u>
Net profit representing total comprehensive income	<u>22,059</u>	26,781
Cash dividends received by the Group	<u>18,556</u>	23,600
(e) Capital commitments for property, plant and equipment		
- contracted	552	237
- not contracted	4,644	4,216
	<u>5,196</u>	<u>4,453</u>

(f) There are no material contingencies relating to joint ventures.

NOTES TO THE FINANCIAL STATEMENTS

- 31 March 2016

20 ASSOCIATED COMPANIES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Share of net assets	1,364,616	1,307,016	-	-
Quoted shares, at cost	-	-	605,170	605,170
Unquoted shares, at cost	-	-	71,800	71,800
Less: Accumulated impairment losses	-	-	(530)	-
	1,364,616	1,307,016	676,440	676,970

(a) The details of the associated companies are listed in Note 3.

(b) The Group's material associated companies, based on effective equity interest are as follows:

Effective equity interest held by the Group

	2016	2015
Honda Malaysia Sdn. Bhd.	34.00%	34.00%
Pos Malaysia Berhad	32.21%	32.21%

(c) Capital commitments for property, plant and equipment

	Group	
	2016 RM'000	2015 RM'000
- contracted	15,403	42,262
- not contracted	66,048	164,767
	81,451	207,029

(d) There are no material contingencies relating to associated companies.

(e) The accumulated share of losses that have not been recognised by the Group amounted to RM11,866,000 (2015: RM11,865,000). The Group has no obligation in respect of these losses.

(f) The investment in an associated company with carrying amount of RM605,170,000 (2015: RM605,170,000) has been charged as security for bank borrowings (Notes 37 and 43).

20 ASSOCIATED COMPANIES (Continued)

- (g) The summarised financial information of the associated companies, not adjusted for the proportion of ownership interest held by the Group, are as follows:

	Honda Malaysia Sdn. Bhd. RM'000	Pos Malaysia Berhad RM'000	Others RM'000	Total RM'000
<u>As at 31 March 2016</u>				
Non-current assets	804,254	700,923	123,749	1,628,926
Current assets	1,776,544	1,167,823	556,527	3,500,894
Non-current liabilities	(263,131)	(36,169)	(7,369)	(306,669)
Current liabilities	(1,055,100)	(716,981)	(241,966)	(2,014,047)
Net assets	1,262,567	1,115,596	430,941	2,809,104
<u>Financial year ended 31 March 2016</u>				
Revenue	7,744,308	1,717,439	1,054,032	10,515,779
Expenses	(7,024,520)	(1,624,938)	(1,085,537)	(9,734,995)
Profit/(loss) before taxation	719,788	92,501	(31,505)	780,784
Taxation	(141,312)	(29,408)	(4,695)	(175,415)
Net profit/(loss) representing total comprehensive income/(loss)	578,476	63,093	(36,200)	605,369

NOTES TO THE FINANCIAL STATEMENTS

- 31 March 2016

20 ASSOCIATED COMPANIES (Continued)

- (g) The summarised financial information of the associated companies, not adjusted for the proportion of ownership interest held by the Group, are as follows: (Continued)

	Honda Malaysia Sdn. Bhd. RM'000	Pos Malaysia Berhad RM'000	Others RM'000	Total RM'000
<u>As at 31 March 2015</u>				
Non-current assets	775,572	776,254	164,625	1,716,451
Current assets	1,514,621	904,326	634,102	3,053,049
Non-current liabilities	(157,761)	(45,774)	(16,266)	(219,801)
Current liabilities	(1,065,841)	(511,953)	(291,612)	(1,869,406)
Net assets	1,066,591	1,122,853	490,849	2,680,293
<u>Financial year ended 31 March 2015</u>				
Revenue	6,601,011	1,494,045	1,745,404	9,840,460
Expenses	(5,815,090)	(1,312,734)	(1,659,570)	(8,787,394)
Profit before taxation	785,921	181,311	85,834	1,053,066
Taxation	(183,156)	(54,261)	(19,679)	(257,096)
Net profit representing total comprehensive income	602,765	127,050	66,155	795,970

20 ASSOCIATED COMPANIES (Continued)

(h) The summarised financial information based on Group's interest in associated companies for the years are as follows:

	Honda Malaysia Sdn. Bhd. RM'000	Pos Malaysia Berhad RM'000	Others RM'000	Total RM'000
<u>As at 31 March 2016</u>				
Group's share of net assets	429,273	359,333	234,299	1,022,905
Intangible asset	-	341,711	-	341,711
Carrying value of Group's interest in associated companies	429,273	701,044	234,299	1,364,616
Group's share of net profit/(loss) representing total comprehensive income/(loss)	196,682	20,322	(11,998)	205,006
Cash dividends received by the Group	130,050	22,663	14,348	167,061
<u>As at 31 March 2015</u>				
Group's share of net assets	362,641	361,671	240,993	965,305
Intangible asset	-	341,711	-	341,711
Carrying value of Group's interest in associated companies	362,641	703,382	240,993	1,307,016
Group's share of net profit representing total comprehensive income	204,940	40,923	28,723	274,586
Cash dividends received by the Group	115,685	12,283	13,883	141,851

NOTES TO THE FINANCIAL STATEMENTS

- 31 March 2016

21 INTANGIBLE ASSETS

	Note	Goodwill RM'000	Customer relationship RM'000	Computer software RM'000	Product development expenditure RM'000	Capitalised development cost of work-in- progress RM'000	Dealership network RM'000	Brand name RM'000	Total RM'000
Group 2016									
At 1 April 2015		365,580	6,487	133,536	450,652	370,844	23,664	41,710	1,392,473
Acquisition of subsidiary companies	51(i)	104,932	-	-	-	-	-	-	104,932
Additions		-	-	16,602	102	402,951	-	-	419,655
Transfer from property, plant and equipment	13	-	-	5,636	305	-	-	-	5,941
Amortisation charge	6	-	(2,360)	(35,085)	(135,218)	-	(5,916)	-	(178,579)
Impairment loss	6	(67,510)	-	-	(13,963)	-	-	-	(81,473)
Currency translation differences		-	-	(1)	46,528	(28,308)	-	-	18,219
Reclassification		-	-	19,693	311,760	(331,453)	-	-	-
At 31 March 2016		403,002	4,127	140,381	660,166	414,034	17,748	41,710	1,681,168
Cost		477,531	9,436	416,556	2,006,614	422,786	41,412	41,710	3,416,045
Accumulated amortisation		-	(5,309)	(276,175)	(1,061,252)	-	(23,664)	-	(1,366,400)
Accumulated impairment losses		(74,529)	-	-	(285,196)	(8,752)	-	-	(368,477)
Net book value		403,002	4,127	140,381	660,166	414,034	17,748	41,710	1,681,168

21 INTANGIBLE ASSETS (Continued)

	Note	Goodwill RM'000	Customer relationship RM'000	Computer software RM'000	Product development expenditure RM'000	Capitalised development cost of work-in- progress RM'000	Dealership network RM'000	Brand name RM'000	Total RM'000
Group 2015 (Restated)									
At 1 April 2014		290,971	8,846	26,738	293,823	415,241	29,580	41,710	1,106,909
Acquisition of subsidiary companies	51(iv)	74,609	-	-	-	-	-	-	74,609
Disposal of a subsidiary company	52(iii)	-	-	(2,748)	-	-	-	-	(2,748)
Additions		-	-	12,575	75	341,928	-	-	354,578
Disposals		-	-	(2)	-	-	-	-	(2)
Amortisation charge	6	-	(2,359)	(23,896)	(98,912)	-	(5,916)	-	(131,083)
Impairment loss	6	-	-	-	(1,937)	-	-	-	(1,937)
Currency translation differences		-	-	-	823	361	-	-	1,184
Reclassification		-	-	115,470	256,780	(372,250)	-	-	-
Transfer from/(to) property, plant and equipment	13	-	-	5,399	-	(14,436)	-	-	(9,037)
At 31 March 2015		365,580	6,487	133,536	450,652	370,844	23,664	41,710	1,392,473
Cost		372,599	9,436	377,825	1,860,010	711,516	41,412	41,710	3,414,508
Accumulated amortisation		-	(2,949)	(244,289)	(964,659)	-	(17,748)	-	(1,229,645)
Accumulated impairment losses		(7,019)	-	-	(444,699)	(340,672)	-	-	(792,390)
Net book value		365,580	6,487	133,536	450,652	370,844	23,664	41,710	1,392,473

NOTES TO THE FINANCIAL STATEMENTS

- 31 March 2016

21 INTANGIBLE ASSETS (Continued)

- (a) In the previous financial year, core deposits with cost of RM61,400,000 had been fully amortised.
- (b) Impairment testing for goodwill, brand name and capitalised development cost of work-in-progress is done annually. Their carrying values were allocated to 7 (2015: 6) of the Group's cash-generating units (CGU), for impairment testing as follows:

	2016	2015 (Restated)
	RM'000	RM'000
Integrated logistics services	264,734	264,734
Motor vehicles	454,446	471,606
Airport ground handling services	16,648	16,648
Banking	11,349	18,509
Defence services	4,665	4,665
Leasing of motor vehicles	1,972	1,972
Construction and leasing	104,932	-
	858,746	778,134

The recoverable amounts of the CGUs have been determined based on value in use calculations using cash flow projections prepared based on financial budgets approved by Management covering a 5-year period. The pre-tax discount rate applied to the cash flow projections range from 3.79% to 12.00% (2015: 3.38% to 12.00%) per annum. The forecasted growth rates used to extrapolate cash flows beyond the 5-year period range from 0% to 2% (2015: 0% to 3%). The budgeted gross margins were determined based on past performance and their expectations of market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

Based on the impairment testing, the values-in-use of the respective CGUs exceeded their respective carrying amounts of the goodwill, brand name and capitalised development cost of work-in-progress.

- (c) Customer relationship is stated at cost and amortised on a straight line basis over a period of 4 years.

22 DEFERRED TAXATION

	Note	Group	
		2016 RM'000	2015 (Restated) RM'000
At beginning of the financial year		32,296	142,828
Acquisition of a subsidiary company	51(iv)	-	(285)
Disposal of a subsidiary company	52(iii)(a)&(b)	-	(528)
Currency translation differences		(14)	(33)
(Charged)/credited to profit or loss	10		
- Intangible assets		(14,072)	(4,694)
- Investment properties		1,580	1,560
- Investment securities		-	(186)
- Property, plant and equipment		(4,991)	(31,566)
- Property development expenditure		(4,621)	1,308
- Provisions		43,851	(50,356)
- Receivables		(21,403)	(12,576)
- Tax losses		(3,830)	(6,059)
- Unearned premium reserve		-	68
		(3,486)	(102,501)
(Charged)/credited to other comprehensive income	10		
- Fair value changes of investment securities: available-for-sale		(3,383)	(6,746)
- Fair value adjustments on properties, plant equipment and prepaid lease properties		(28)	18
- Actuarial gains and losses on defined benefits plan		(1)	(457)
		(3,412)	(7,185)
At end of the financial year		25,384	32,296

NOTES TO THE FINANCIAL STATEMENTS

- 31 March 2016

22 DEFERRED TAXATION (Continued)

	2016	Group 2015 (Restated)
	RM'000	RM'000
Subject to income tax		
<i>Deferred tax assets (before offsetting)</i>		
Intangible assets	-	2,068
Investment properties	453	-
Investment securities	-	3,289
Property, plant and equipment	81,204	103,418
Property development expenditure	5,936	10,523
Provisions	272,546	229,739
Receivables	9,315	24,867
Tax losses	26,725	30,555
	396,179	404,459
Offsetting	(304,460)	(280,871)
Deferred tax assets (after offsetting)	91,719	123,588
<i>Deferred tax liabilities (before offsetting)</i>		
Intangible assets	(174,576)	(162,572)
Investment properties	(6,136)	(7,235)
Investment securities	(95)	-
Property, plant and equipment	(184,022)	(201,232)
Property development expenditure	(34)	-
Provisions	-	(1,043)
Receivables	(5,932)	(81)
	(370,795)	(372,163)
Offsetting	304,460	280,871
Deferred tax liabilities (after offsetting)	(66,335)	(91,292)
Presented after appropriate offsetting as follows:		
Deferred tax assets	91,719	123,588
Deferred tax liabilities	(66,335)	(91,292)
	25,384	32,296

22 DEFERRED TAXATION (Continued)

	Note	Company	
		2016 RM'000	2015 RM'000
At beginning of the financial year		(2,100)	(2,769)
Credited to profit or loss	10		
- Investment properties		609	129
- Property, plant and equipment		213	540
		822	669
At end of the financial year		(1,278)	(2,100)
Subject to income tax			
<i>Deferred tax assets (before offsetting)</i>			
Property, plant and equipment		900	687
Offsetting		(900)	(687)
Deferred tax assets (after offsetting)		-	-
<i>Deferred tax liabilities (before offsetting)</i>			
Investment properties		(2,178)	(2,787)
Offsetting		900	687
Deferred tax liabilities (after offsetting)		(1,278)	(2,100)

23 INVESTMENT SECURITIES

- (a) Investment securities: financial assets at fair value through profit or loss – Banking

	Group	
	2016 RM'000	2015 RM'000
<u>Non-current</u> Private equity funds	186,355	118,657

NOTES TO THE FINANCIAL STATEMENTS

- 31 March 2016

23 INVESTMENT SECURITIES (Continued)

(b) Investment securities: available-for-sale, at fair value

	<u>Banking</u>	<u>Non- banking</u>	
	Held by a banking subsidiary company RM'000	Held by other subsidiary companies RM'000	Total RM'000
Group			
2016			
<u>Government securities</u>			
Malaysian government investment certificates	2,871,545	-	2,871,545
<u>Quoted securities</u>			
Equity securities, in Malaysia	190,028	155	190,183
Equity securities, outside Malaysia	5,577	-	5,577
<u>Unquoted securities</u>			
Islamic private debt securities, in Malaysia	2,539,330	-	2,539,330
Cagamas bonds	61,222	-	61,222
Equity securities, in Malaysia	5,381	46,048	51,429
Foreign Islamic private debt securities and sukuk	27,083	-	27,083
Total	<u>5,700,166</u>	<u>46,203</u>	<u>5,746,369</u>
Non-current	5,058,434	46,203	5,104,637
Current	641,732	-	641,732
	<u>5,700,166</u>	<u>46,203</u>	<u>5,746,369</u>

23 INVESTMENT SECURITIES (Continued)

(b) Investment securities: available-for-sale, at fair value (Continued)

	<u>Banking</u>	<u>Non- banking</u>	
	Held by a banking subsidiary company RM'000	Held by other subsidiary companies RM'000	Total RM'000
Group			
2015			
<u>Government securities</u>			
Malaysian government investment certificates	2,968,370	-	2,968,370
<u>Quoted securities</u>			
Equity securities, in Malaysia	67,581	190	67,771
<u>Unquoted securities</u>			
Islamic private debt securities, in Malaysia	3,215,315	-	3,215,315
Cagamas bonds	149,626	-	149,626
Equity securities, in Malaysia	5,206	46,048	51,254
Foreign Islamic private debt securities and sukuk	29,381	-	29,381
Total	<u>6,435,479</u>	<u>46,238</u>	<u>6,481,717</u>
Non-current	5,411,269	46,238	5,457,507
Current	1,024,210	-	1,024,210
	<u>6,435,479</u>	<u>46,238</u>	<u>6,481,717</u>

NOTES TO THE FINANCIAL STATEMENTS

- 31 March 2016

23 INVESTMENT SECURITIES (Continued)

(c) Investment securities: held-to-maturity, at amortised cost - Banking

	Group	
	2016	2015
	RM'000	RM'000
<u>Non-current</u>		
Unquoted Islamic private debt securities, in Malaysia	140,607	139,042
Fair value	<u>143,374</u>	<u>137,271</u>

24 OTHER ASSETS

	Group	
	2016	2015
	RM'000	RM'000
Golf memberships, at cost less accumulated impairment	441	509

25 BANKING RELATED ASSETS - FINANCING OF CUSTOMERS

	Group	
	2016	2015
	RM'000	RM'000
Cash line	824,516	828,207
Term financing		
- Home financing	14,543,463	13,245,767
- Hire purchase receivables	1,034,092	1,241,001
- Syndicated financing	1,358,170	780,910
- Leasing receivables	9,038	12,596
- Other term financing	10,125,420	8,456,982
Revolving credits	1,171,887	1,067,892
Claims on customers under acceptance credits	564,524	758,741
Staff financing	174,808	160,954
Sukuk	154,605	148,061
Trust receipts	101,943	51,295
Ar-Rahnu	63,779	46,907
Sub-total carried forward	<u>30,126,245</u>	<u>26,799,313</u>

25 BANKING RELATED ASSETS - FINANCING OF CUSTOMERS (Continued)

	Group	
	2016	2015
	RM'000	RM'000
Sub-total brought forward	30,126,245	26,799,313
Less: Unearned income	(15,509,352)	(13,259,218)
	14,616,893	13,540,095
Less: Allowance for impaired financing:		
- Collective assessment	(208,439)	(239,227)
- Individual assessment	(81,078)	(42,631)
Total net financing	14,327,376	13,258,237
Non-current	10,600,485	10,259,671
Current	3,726,891	2,998,566
	14,327,376	13,258,237
Fair values	12,720,756	11,505,374

The fair values of financing of customers not designated as hedged item are estimated based on the expected future cash flows of contractual instalment payments, discounted at applicable and prevailing rates at the reporting date offered for similar facilities to new customers with similar credit profiles. In respect of non-performing financing, the fair values are deemed to approximate the carrying values, which are net of individual assessment allowance for bad and doubtful financing.

26 BANKING RELATED ASSETS - STATUTORY DEPOSIT WITH BANK NEGARA MALAYSIA

- (a) The statutory deposit is maintained by a banking subsidiary company with Bank Negara Malaysia in compliance with Section 26(2)(c) and Section 26(3) of the Central Bank of Malaysia Act 2009, the amount of which is determined at set percentages of total eligible liabilities.
- (b) The carrying amount as at the reporting date is reasonable approximate of fair value.

27 ASSETS HELD FOR SALE

		Group	
	Note	2016	2015
		RM'000	RM'000
Investment properties	16	10,812	-
Other assets, represent golf membership		7	-
Associated companies		-	58,738
Property, plant and equipment		-	4,667
		10,819	63,405

In the previous financial year, certain property, plant and equipment of the Group with a net book value RM4,364,000 had been charged as security for bank borrowings.

NOTES TO THE FINANCIAL STATEMENTS

- 31 March 2016

28 INVENTORIES

	Group	
	2016 RM'000	2015 RM'000
Raw materials	505,853	348,770
Work-in-progress	379,916	409,803
Finished goods	618,815	1,292,496
Parts and accessories	228,169	285,240
Completed units of unsold properties	27,874	28,105
	1,760,627	2,364,414

29 TRADE AND OTHER RECEIVABLES

		Group		Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Trade receivables		1,568,746	1,940,013	-	-
Less: Allowance for doubtful debts		(180,343)	(165,628)	-	-
		1,388,403	1,774,385	-	-
Other receivables		1,446,959	1,742,051	2,263	332
Less: Allowance for doubtful debts		(291,445)	(158,341)	-	-
		1,155,514	1,583,710	2,263	332
Amounts due from subsidiary companies		-	-	1,358,078	898,731
Less: Allowance for doubtful debts		-	-	(215,190)	(215,190)
		-	-	1,142,888	683,541
Amounts due from joint ventures		79,971	15,867	1	5
Amounts due from associated companies		42,187	54,989	688	663
Amounts due from related parties		3,390	239	-	-
Amounts due from customers on contracts	49	1,394,196	832,544	-	-
Sub-total carried forward		1,519,744	903,639	689	668

29 TRADE AND OTHER RECEIVABLES (Continued)

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Sub-total brought forward	1,519,744	903,639	689	668
Accrued billings	104,357	14,914	-	-
Deposits	60,959	61,688	175	6,181
Prepayments	150,021	138,091	416	3,029
	1,835,081	1,118,332	1,280	9,878
	4,378,998	4,476,427	1,146,431	693,751
Non-current	104,589	155,336	-	-
Current	4,274,409	4,321,091	1,146,431	693,751
	4,378,998	4,476,427	1,146,431	693,751

(a) The currency exposure profile of trade and other receivables is as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
- Ringgit Malaysia	4,067,708	4,082,882	1,146,431	693,751
- US Dollar ("USD")	162,033	180,832	-	-
- Pound Sterling	103,487	133,316	-	-
- Euro	16,163	21,185	-	-
- Thai Baht	9,305	22,517	-	-
- Japanese Yen	3,320	3,236	-	-
- Indonesia Rupiah	3,136	17,608	-	-
- Singapore Dollar	10,354	11,511	-	-
- Other currencies	3,492	3,340	-	-
	4,378,998	4,476,427	1,146,431	693,751

(b) Trade receivables are non-interest bearing. The Group's normal trade credit terms ranges from 14 days to 180 days (2015: 14 days to 180 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition. Other credit terms are assessed and approved on a case by case basis.

(c) All other amounts due from joint ventures, associated companies and related parties are non-interest bearing, unsecured and repayable on demand.

(d) Included in the amounts due from subsidiary companies are balances of RM1,034,159,000 (2015: RM508,346,000) which are interest bearing and unsecured. The interest rates range from 3.47% to 7.5% (2015: 3.5% to 7.5%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

- 31 March 2016

29 TRADE AND OTHER RECEIVABLES (Continued)

(e) The ageing analysis of the Group's trade receivables is as follows:

	Group	
	2016	2015
	RM'000	RM'000
Neither past due nor impaired	805,785	1,151,716
1 to 30 days past due not impaired	181,028	234,011
31 to 60 days past due not impaired	112,328	129,264
61 to 90 days past due not impaired	139,397	66,084
91 to 120 days past due not impaired	57,878	126,968
More than 121 days past due not impaired	91,987	66,342
	582,618	622,669
Impaired	180,343	165,628
	1,568,746	1,940,013

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM582,618,000 (2015: RM622,669,000) that are past due at the reporting date but not impaired. At the reporting date, majority of the trade receivables of the Group are active customers with healthy business relationship, in which the Management is of the view that the amounts are recoverable based on past payments history.

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the movements of the allowance for doubtful debts of trade receivables during the financial year are as follows:

	Group	
	2016	2015
	RM'000	RM'000
At beginning of the financial year	165,628	205,074
Disposal of subsidiary companies	-	(4,520)
Charged	15,579	16,249
Write backs	(416)	-
Written off	(3,828)	(52,834)
Currency translation differences	3,380	1,659
At end of the financial year	180,343	165,628

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that have defaulted payments.

29 TRADE AND OTHER RECEIVABLES (Continued)

(f) The movements of the allowance for doubtful debts of other receivables during the financial year are as follows:

	Group	
	2016 RM'000	2015 RM'000
At beginning of the financial year	158,341	168,612
Charged	129,343	5,881
Reversal	-	(10,405)
Written off	-	(5,727)
Currency translation differences	3,761	(20)
At end of the financial year	291,445	158,341

30 SHORT TERM DEPOSITS

- (a) Short term deposits consist of deposits with licensed banks and are denominated in Ringgit Malaysia.
- (b) Certain deposits with licensed banks of the Group amounting to RM1,018,558,000 (2015: RM1,058,204,000) have been pledged as security for banking facilities.
- (c) The weighted average effective annual interest rate of short term deposits at the end of the financial year is as follows:

	Group		Company	
	2016 %	2015 %	2016 %	2015 %
Deposits with licensed banks	3.08	3.10	3.21	3.25

- (d) The deposits of the Group and of the Company have an average maturity period of 43 days (2015: 34 days) and 50 days (2015: 19 days) respectively.
- (e) The currency exposure profile of short term deposits is as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
- Ringgit Malaysia	1,397,264	1,843,441	239,534	384,218
- Thai Baht	14,719	3,526	-	-
- Pound Sterling	6,466	12,688	-	-
- Indonesia Rupiah	1,258	4,479	-	-
- Singapore Dollar	846	781	-	-
- Australian Dollar	-	6,112	-	-
- US Dollar	-	1,862	-	-
	1,420,553	1,872,889	239,534	384,218

NOTES TO THE FINANCIAL STATEMENTS

- 31 March 2016

30 SHORT TERM DEPOSITS (Continued)

- (f) Deposits with licensed banks and financial institutions of the Group and of the Company with maturity profile above 3 months amounting to RM36,396,000 (2015: RM25,305,000) and RM11,112,000 (2015: RM10,140,000) respectively are excluded from cash and cash equivalents.

31 CASH AND BANK BALANCES

- (a) Bank balances are deposits held at call with banks and are non-interest bearing.
- (b) Included in cash and bank balances of the Group are bank accounts maintained pursuant to the Housing Developers (Control & Licensing) Act 1966, amounting to RM68,503,000 (2015: RM63,261,000).
- (c) The currency exposure profile of cash and bank balances is as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
- Ringgit Malaysia	480,811	513,519	11,909	1,914
- Indonesia Rupiah	34,056	622	-	-
- Pound Sterling	9,982	19,826	-	-
- Singapore Dollar	8,387	10,682	-	-
- Euro	6,583	7,794	-	-
- Australian Dollar	5,626	10,282	-	-
- US Dollar	2,061	22,875	-	-
- Hong Kong Dollar	1,529	-	-	-
- Japanese Yen	180	387	-	-
- Thai Baht	64	803	-	-
- Other currencies	1,720	1,729	-	-
	550,999	588,519	11,909	1,914

32 BANKING RELATED ASSETS - CASH AND SHORT-TERM FUNDS

	Group	
	2016 RM'000	2015 RM'000
Money at call and interbank placements with remaining maturities not exceeding one month	821,890	793,725
Cash and balances with banks and other financial institutions	186,501	322,084
Licensed Islamic banks	60,710	111,135
	1,069,101	1,226,944

32 BANKING RELATED ASSETS - CASH AND SHORT-TERM FUNDS (Continued)

(a) The currency exposure profile of the cash and short-term funds of a banking subsidiary company is as follows:

	Group	
	2016 RM'000	2015 RM'000
- Ringgit Malaysia	587,498	258,075
- US Dollar	428,181	896,893
- Japanese Yen	38,329	9,293
- Euro	7,501	35,517
- Other currencies	7,592	27,166
	1,069,101	1,226,944

(b) The weighted average effective profit rate and weighted average maturity of cash and short-term funds of a banking subsidiary company was 2.4% per annum (2015: 3.3% per annum) and 78 days (2015: 87 days) respectively.

33 DERIVATIVE FINANCIAL INSTRUMENTS

	Contract/ Notional Value RM'000	Fair value	
		Assets RM'000	Liabilities RM'000
Group			
2016			
Financial instruments at fair value through profit or loss			
Currency forward foreign exchange contracts	1,087,269	21,828	34,416
Currency swaps foreign exchange contracts	580,728	19,123	15,238
Islamic profit rate swap	3,675,000	-	13,903
Capped cross currency interest rate swap	651,900	-	34,789
	5,994,897	40,951	98,346

NOTES TO THE FINANCIAL STATEMENTS

- 31 March 2016

33 DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

	Contract/ Notional Value RM'000	Fair value	
		Assets RM'000	Liabilities RM'000
Group			
2015			
Financial instruments at fair value through profit or loss			
Currency forward foreign exchange contracts	1,546,620	64,074	12,286
Currency swaps foreign exchange contracts	1,489,564	10,901	33,758
Islamic profit rate swap	3,675,000	-	10,807
	6,711,184	74,975	56,851

(a) There is no significant change for the financial derivatives in respect of the following since the last financial year ended 31 March 2015:

- (i) the credit risk, market risk and liquidity risk associated with these financial derivatives;
- (ii) the cash requirements of the financial derivatives; and
- (iii) the policy in place for mitigating or controlling the risks associated with these financial derivatives.

(b) Disclosure of gain/loss arising from fair value changes of financial derivatives

During the current financial year, the Group recognised a total net loss of RM75,519,000 (2015: net gain of RM4,230,000) in profit or loss arising from the fair value changes on the forward foreign exchange contracts, profit rate swap and cross currency interest rate swap which are marked to market as at 31 March 2016.

34 SHARE CAPITAL

	Group and Company			
	2016		2015	
	Number of Shares '000	Nominal Value RM'000	Number of Shares '000	Nominal Value RM'000
Authorised:				
Ordinary shares of RM1.00 each	2,000,000	2,000,000	2,000,000	2,000,000
Issued and fully paid:				
Ordinary shares:				
At beginning/end of the financial year	1,933,237	1,719,601	1,933,237	1,719,601

35 PERPETUAL SUKUK

The Perpetual Sukuk is related to the Company's Sukuk Musharakah Programme of up to RM2,000,000,000 in nominal value, which was approved by the Securities Commission Malaysia on 27 November 2014. The Perpetual Sukuk is under the Islamic principle of Musharakah and accorded rating of A_{IS} by the Malaysian Rating Corporation Berhad.

As at 31 March 2016, the Company has issued Perpetual Sukuk as follows:

Series	Date of issue	First call date	2016 RM'000	2015 RM'000
1	30 December 2014	5 th anniversary of issue date 7 th anniversary of issue date	–	415,000
2	27 February 2015	5 th anniversary of issue date	–	300,000
3	15 April 2015	5 th anniversary of issue date	100,000	–
4	15 May 2015	5 th anniversary of issue date	50,000	–
5	12 August 2015	5 th anniversary of issue date	75,000	–
			225,000	815,000

As at the reporting date, the total Perpetual Sukuk issued by the Company is RM1.04 billion.

The Perpetual Sukuk holders are conferred a right to receive distribution on a semi-annual basis from their issuance date at 7.45% to 8.00% (2015: 7.50% to 8.00%) per annum, subject to a step-up rate after the first call date and on the 3rd anniversary of the first call date of their respective tranches.

The Perpetual Sukuk has no fixed maturity and is redeemable in whole or in part, at the Company's option on their respective first call date together with any accrued, unpaid or deferred distributions. While any distributions are unpaid or deferred, the Company will not declare, pay dividends or make similar periodic payments in respect of, or redeem, buy-back or otherwise acquire any securities of lower or equal rank. Based on its terms, the Perpetual Sukuk has been classified as an equity instrument.

The Perpetual Sukuk was issued for the Company's working capital purposes as well as to finance future investments such as purchase of shares, lands, buildings and property and development and construction costs.

36 DEFERRED INCOME

This represents the following items:

- (i) Club membership licence fees received in advance by a subsidiary company, net of amounts recognised as income in the financial statements;
- (ii) Grants received in advance including from the Automotive Development Fund; and
- (iii) Deferred revenue mainly comprises fair value of free services given to customers upon sale of vehicles and prepaid rental received.

NOTES TO THE FINANCIAL STATEMENTS

- 31 March 2016

36 DEFERRED INCOME (Continued)

	Note	Advance license fees RM'000	Grants RM'000	Deferred revenue RM'000	Total RM'000
Group					
2016					
At beginning of the financial year		74,109	36,822	79,447	190,378
Received		133	15,000	36,885	52,018
Amortised	6	(1,394)	(13,043)	(44,924)	(59,361)
Currency translation differences		-	-	92	92
Interest earned		-	1,133	-	1,133
At end of the financial year		72,848	39,912	71,500	184,260
Non-current		72,848	19,516	27,326	119,690
Current		-	20,396	44,174	64,570
		72,848	39,912	71,500	184,260
2015					
At beginning of the financial year		74,563	51,532	36,010	162,105
Acquisition of a subsidiary company	51(iv)	-	-	2,896	2,896
Received		1,322	377	61,972	63,671
Amortised	6	(1,776)	(15,711)	(21,343)	(38,830)
Currency translation differences		-	-	(88)	(88)
Interest earned		-	624	-	624
At end of the financial year		74,109	36,822	79,447	190,378
Non-current		74,109	18,451	46,949	139,509
Current		-	18,371	32,498	50,869
		74,109	36,822	79,447	190,378

37 LONG TERM BORROWINGS

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<u>Secured</u>					
• Hire purchase and finance lease liabilities		47,514	44,348	-	-
- Portion repayable within 12 months included under bank borrowings	43	(18,159)	(17,293)	-	-
		29,355	27,055	-	-
• Long term loans		1,836,108	2,269,752	31,441	546,173
- Portion repayable within 12 months included under bank borrowings	43	(420,866)	(434,060)	(31,441)	(106,441)
		1,415,242	1,835,692	-	439,732
• Long term loans under Islamic financing		3,105,916	2,731,487	1,891,385	1,965,916
- Portion repayable within 12 months included under bank borrowings	43	(659,930)	(181,381)	(485,753)	(74,557)
		2,445,986	2,550,106	1,405,632	1,891,359
<u>Unsecured</u>					
• Long term loans		8,849	5,867	-	-
- Portion repayable within 12 months included under bank borrowings	43	(7,278)	(2,018)	-	-
		1,571	3,849	-	-
• Long term loans under Islamic financing		415,474	455,154	-	-
- Portion repayable within 12 months included under bank borrowings	43	(4,135)	(39,707)	-	-
		411,339	415,447	-	-
		4,303,493	4,832,149	1,405,632	2,331,091

NOTES TO THE FINANCIAL STATEMENTS

- 31 March 2016

37 LONG TERM BORROWINGS (Continued)

- (a) The hire purchase and finance lease liabilities are secured against the respective assets acquired as disclosed in Notes 13(c) and 14(b).

(b) Long term loans (secured and unsecured)

Group

The long term loans of the Group mainly comprise the following:

- (i) The term loan of RM850,270,000 (2015: RM1,084,235,000) which bears floating interest rate of 2% (2015: 2%) per annum above effective cost of funds, is repayable by 12 (2015: 16) instalments on quarterly basis, commencing from February 2015 to refinance the outstanding balance of Lotus Cars Limited's syndicated financing facilities. The effective interest rate as at the reporting date was 6.26% (2015: 6.24%) per annum.
- (ii) The USD135,000,000 syndicated term loan (equivalent to RM539,730,000) (2015: Nil) which bears the interest rate of 5.40% (2015: Nil) per annum, is repayable by 9 (2015: Nil) equal semi-annual instalments commencing from January 2017 and utilised for working capital and general corporate purposes.
- (iii) The term loan of RM150,370,000 (2015: RM202,870,000) which bears floating interest rate of 1.75% (2015: 1.75%) per annum above effective cost of funds, is repayable by 11 (2015: 15) instalments on quarterly basis, commencing from May 2014 for the acquisition of shares in Composites Technology Research Malaysia Sdn. Bhd. The effective interest rate as at the reporting date was 6.13% (2015: 6.11%) per annum.
- (iv) The term loan of RM32,000,000 (2015: RM64,000,000) which bears floating interest rate of 6.46% (2015: 6.35%) per annum, is repayable over the next 1 year (2015: 2 years) to partially finance the acquisition of shares in PROTON Holdings Berhad.

The secured long term loans have been obtained by way of assignment of fixed and floating charges over certain property, plant and equipment, concession assets, prepaid lease properties, investment properties, property development activities, shares in certain subsidiary companies and an associated company, inventories and receivables as disclosed in Notes 3, 13, 14, 15, 16, 17, 18, 20, 28 and 29. In addition to these, the term loan of RM32,000,000 (2015: RM64,000,000) as per item (b)(iv) above is also secured by a charge over the Revenue Account in respect of the assignments of all proceeds from any entitlements to the Company, including the repayments, distribution of capital, dividend payments and/or advances from subsidiary companies and associated companies.

Company

Included in the long term loans of the Company are borrowings with terms as disclosed in Notes 37(b)(iv) above.

37 LONG TERM BORROWINGS (Continued)

(c) Long term loans under Islamic financing (secured and unsecured)

Group

The long term loans under Islamic financing of the Group mainly comprise the following:

- (i) The Islamic Medium Term Notes ("IMTN") of RM1,800,000,000 (2015: RM1,800,000,000) which bears the yield-to-maturity rate ranges from 4.60% to 5.33% (2015: 4.60% to 5.33%) per annum, is repayable commencing from April 2016 to March 2022. The IMTN were utilised to partially finance the acquisition of shares in PROTON Holdings Berhad and working capital purposes.
- (ii) The Tier-2 Capital Islamic Subordinated Sukuk ("Subordinated Sukuk") of a banking subsidiary company amounting to RM400,000,000 (2015: RM400,000,000) which carries a tenure of 10 years (2015: 10 years) from 15 June 2011 under a 10 non-callable 5 basis feature with a profit rate of 5.15% (2015: 5.15%) per annum. The RM400,000,000 Subordinated Sukuk qualifies as Tier-2 capital for the purpose of Bank Negara Malaysia capital adequacy requirement.
- (iii) The term loan of RM299,377,000 (2015: RM299,837,000) which bears the profit rate of 2% (2015: 2%) per annum above effective cost of funds, is repayable by 19 (2015: 23) instalments on quarterly basis for the acquisition of shares in Konsortium Logistik Berhad and DRB-HICOM Asia Cargo Express Sdn. Bhd. The effective profit rate as at the reporting date was 6.78% (2015: 6.41%) per annum.
- (iv) The syndicated term loan of RM296,412,000 (2015: RM202,086,000) which bears the profit rate ranges between 5.68% to 6.95% (2015: 6.50% to 6.96%) per annum, is repayable by 18 instalments on a quarterly basis commencing from November 2016 to purchase plant and equipment by a subsidiary company, HICOM Automotive Manufacturers (Malaysia) Sdn. Bhd.
- (v) The term loan of RM150,999,000 (2015: RM146,109,000) which bears floating profit rate of 1.25% (2015: 1.25%) per annum above effective cost of funds, is repayable by 144 monthly instalments commencing from July 2016 to finance the development cost of DRB-HICOM University of Automotive Malaysia. The effective profit rate as at the reporting date was 5.80% (2015: 5.89%) per annum.
- (vi) The syndicated term loan of RM116,351,000 (2015: RM122,475,000) which bears the profit rate of 1.5% (2015: 1.5%) per annum above effective cost of funds, is repayable on a quarterly basis commencing from March 2016 to finance the purchase of concession assets. The effective profit rate as at the reporting date was 5.90% (2015: 5.90%) per annum.
- (vii) The term loan of RM63,000,000 (2015: RM126,000,000) which bears floating profit rate of 6.46% (2015: 6.35%) per annum, is repayable over the next 1 year (2015: 2 years) to partially finance the acquisition of shares in PROTON Holdings Berhad.
- (viii) The USD15,000,000 syndicated term loan (equivalent to RM59,970,000) (2015: Nil) which bears the profit rate of 5.40% (2015: Nil) per annum, is repayable by 9 equal semi-annual instalments commencing from January 2017 and utilised for working capital and general corporate purposes.

NOTES TO THE FINANCIAL STATEMENTS

- 31 March 2016

37 LONG TERM BORROWINGS (Continued)

- (c) Long term loans under Islamic financing (secured and unsecured) (Continued)

Group (Continued)

The long term loans under Islamic financing are secured by fixed and floating charges over certain property, plant and equipment, concession assets, prepaid lease properties, investment properties, property development activities, shares in certain subsidiary companies and an associated company, inventories and receivables as disclosed in Notes 3, 13, 14, 15, 16, 17, 18, 20, 28 and 29. In addition, the IMTN and the term loan of RM63,000,000 (2015: RM126,000,000) as disclosed in Notes 37(c)(i) and 37(c)(vii) above, are also secured by a charge over the Revenue Account in respect of the assignments of all proceeds from any entitlements to the Company, including the repayments, distribution of capital, dividend payments and/or advances from subsidiary companies and associated companies.

Company

The long term loans under Islamic financing of the Company are borrowings with terms as disclosed in Notes 37(c)(i) and 37(c)(vii) above.

- (d) The weighted average effective annual interest/profit rates at the end of the financial year are as follows:

	Group		Company	
	2016 %	2015 %	2016 %	2015 %
Hire purchase and finance lease liabilities	3.90	3.30	-	-
Long term loans	5.53	5.67	6.46	6.43
Long term loans under Islamic financing	5.43	5.49	5.04	5.09

- (e) The currency exposure profile of the long term borrowings is as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
- Ringgit Malaysia	3,537,033	4,604,466	1,405,632	2,331,091
- US Dollar	524,327	-	-	-
- Singapore Dollar	242,133	227,683	-	-
	4,303,493	4,832,149	1,405,632	2,331,091

37 LONG TERM BORROWINGS (Continued)

(f) Hire purchase and finance lease liabilities

	Group	
	2016 RM'000	2015 RM'000
Minimum hire purchase and finance lease payments:		
- not later than 1 year	20,867	19,727
- later than 1 year and not later than 2 years	18,558	18,217
- later than 2 years and not later than 3 years	12,282	8,226
- later than 3 years and not later than 4 years	1,083	2,852
- later than 4 years and not later than 5 years	255	543
- later than 5 years	10	3
	53,055	49,568
Future finance charges on hire purchase and finance lease liabilities	(5,541)	(5,220)
Present value of hire purchase and finance lease liabilities	47,514	44,348
Representing hire purchase and finance lease liabilities:		
- non-current	29,355	27,055
- current (included in Note 43)	18,159	17,293
	47,514	44,348

(g) The exposure of long term borrowings to interest/profit rate risk is as follows:

	Maturity profile				
	Carrying amount RM'000	Year 2 RM'000	Year 3 RM'000	Year 4 RM'000	Year 5 and above RM'000
Group					
2016					
Fixed rate					
Hire purchase and finance lease liabilities	29,355	16,647	11,996	709	3
Long term loans	493,643	130,041	125,832	119,620	118,150
Long term loans under Islamic financing	1,995,327	63,742	524,447	329,426	1,077,712
	2,518,325	210,430	662,275	449,755	1,195,865
Floating rate					
Long term loans	923,171	335,392	350,462	2,899	234,418
Long term loans under Islamic financing	861,997	271,051	246,067	209,005	135,874
	1,785,168	606,443	596,529	211,904	370,292
	4,303,493	816,873	1,258,804	661,659	1,566,157

NOTES TO THE FINANCIAL STATEMENTS

- 31 March 2016

37 LONG TERM BORROWINGS (Continued)

(g) The exposure of long term borrowings to interest/profit rate risk is as follows: (Continued)

	Maturity profile				
	Carrying amount RM'000	Year 2 RM'000	Year 3 RM'000	Year 4 RM'000	Year 5 and above RM'000
Group (Continued)					
2015					
Fixed rate					
Hire purchase and finance lease liabilities	27,055	14,993	8,780	2,747	535
Long term loans	174,746	104,495	60,575	6,201	3,475
Long term loans under Islamic financing	2,682,789	922,565	93,090	554,592	1,112,542
	2,884,590	1,042,053	162,445	563,540	1,116,552
Floating rate					
Long term loans	1,664,795	169,135	134,569	993,199	367,892
Long term loans under Islamic financing	282,764	119,316	90,000	73,448	-
	1,947,559	288,451	224,569	1,066,647	367,892
	4,832,149	1,330,504	387,014	1,630,187	1,484,444
Company					
2016					
Fixed rate					
Long term loans under Islamic financing	1,405,632	15,142	481,125	299,821	609,544
2015					
Fixed rate					
Long term loans under Islamic financing	1,829,460	424,139	15,142	480,982	909,197
Floating rate					
Long term loans	439,732	106,441	75,000	110,000	148,291
Long term loans under Islamic financing	61,899	61,899	-	-	-
	501,631	168,340	75,000	110,000	148,291
	2,331,091	592,479	90,142	590,982	1,057,488

38 PROVISION FOR LIABILITIES AND CHARGES

	Note	Warranty RM'000	Sales returns RM'000	Total RM'000
Group				
2016				
At beginning of the financial year		198,556	207	198,763
Charge	6	39,911	295	40,206
Unused amounts reversed	6	(7,685)	(131)	(7,816)
Utilised		(83,699)	(228)	(83,927)
Warranties reimbursable from suppliers		8,350	–	8,350
Currency translation differences		1,705	–	1,705
At end of the financial year		157,138	143	157,281
Non-current		2,606	–	2,606
Current		154,532	143	154,675
		157,138	143	157,281
2015				
At beginning of the financial year		184,449	201	184,650
Charge	6	45,841	578	46,419
Unused amounts reversed	6	(4,535)	(458)	(4,993)
Utilised		(67,578)	(114)	(67,692)
Warranties reimbursable from suppliers		39,188	–	39,188
Currency translation differences		1,191	–	1,191
At end of the financial year		198,556	207	198,763
Non-current		3,110	–	3,110
Current		195,446	207	195,653
		198,556	207	198,763

NOTES TO THE FINANCIAL STATEMENTS

- 31 March 2016

39 PROVISION FOR CONCESSION ASSETS

	Note	Group	
		2016 RM'000	2015 RM'000
At beginning of the financial year		92,131	71,023
Effect of changes in estimates	14	8,582	–
Replacements	6	27,882	25,892
Utilised		(3,599)	(7,255)
Unwinding of discounts		4,059	2,471
At end of the financial year		129,055	92,131
Non-current		103,841	74,574
Current		25,214	17,557
		129,055	92,131
Non-current:			
- later than 2 years and not later than 5 years		1,267	3,393
- later than 5 years		102,574	71,181
		103,841	74,574

As disclosed in Note 2.29(iii), the above represents the contractual obligation by a subsidiary company in relation to the Service Concession Agreement.

40 POST-EMPLOYMENT BENEFIT OBLIGATIONS

The Group operates a funded defined benefit plan in respect of a foreign subsidiary company and also unfunded defined benefit plans for eligible employees of certain subsidiary companies. The carrying value of the post-employment benefit obligations of the Group was based on the valuations by actuaries. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement.

(a) The amount shown in the statement of financial position is presented as follows:

	Group	
	2016 RM'000	2015 RM'000
Present value of funded obligations	581,267	576,282
Fair value of plan assets	(544,524)	(548,507)
Shortfall of funded plan	36,743	27,775
Present value of unfunded obligations	7,767	7,016
Benefit liability	44,510	34,791

40 POST-EMPLOYMENT BENEFIT OBLIGATIONS (Continued)

(a) The amount shown in the statement of financial position is presented as follows: (Continued)

	Group	
	2016 RM'000	2015 RM'000
Non-current	44,033	34,791
Current	477	-
	44,510	34,791

(b) Changes in present value of defined benefit obligations are as follows:

	Note	Group	
		2016 RM'000	2015 RM'000
At beginning of the financial year		583,298	519,638
Disposal of subsidiary company	52(iii)	-	(404)
Current service cost		7,843	9,319
Provision/(reversal) of past service cost		883	(292)
Interest costs		22,442	22,908
Actuarial loss/(gain) on obligations:			
- Effect of changes in financial assumptions		(34,270)	66,663
- Effect of experience adjustments		-	(28,093)
- Effect of changes in demographic assumptions		6,017	(3,982)
Employees contribution		3,589	4,922
Currency translation differences		11,851	5,246
Benefits paid/payable		(12,619)	(12,627)
At end of the financial year		589,034	583,298
Present value of funded obligations		581,267	576,282
Present value of unfunded obligations		7,767	7,016

(c) Changes in fair value of plan assets are as follows:

	Group	
	2016 RM'000	2015 RM'000
At beginning of the financial year	548,507	486,539
Interest income	20,633	21,879
Employers contributions	11,876	18,445
Employees contributions	3,663	4,922
Currency translation differences	12,766	4,863

NOTES TO THE FINANCIAL STATEMENTS

- 31 March 2016

40 POST-EMPLOYMENT BENEFIT OBLIGATIONS (Continued)

(c) Changes in fair value of plan assets are as follows: (Continued)

	Group	
	2016 RM'000	2015 RM'000
Benefits paid	(12,067)	(12,105)
Remeasurement (loss)/gain – Return on plan assets excluding interest income	(33,730)	30,404
Plan expenses	(7,124)	(6,440)
At end of the financial year	544,524	548,507

(d) The expenses recognised in profit or loss are analysed as follows:

	Note	Group	
		2016 RM'000	2015 RM'000
Current service cost		7,843	9,319
Provision/(reversal) of past service cost		1,809	(292)
Interest costs (net)		883	1,029
Administrative costs		7,124	6,440
Staff costs	8	17,659	16,496

(e) The principal actuarial assumptions used in the latest actuarial valuation are as follows:

	Group	
	2016	2015
Discount rate (%)	3.70 – 6.00	3.40 – 6.00
Expected rate of salary increase (%)	2.00 – 5.73	2.00 – 5.50
Expected return on plan assets (%)		
- equities	3.70	5.85
- bonds	3.70	3.10
- others	3.70	3.10
Inflation rate (%)	2.50 – 3.50	2.50 – 3.50

(f) The currency exposure profile of the post-employment benefit obligations is as follows:

	Group	
	2016 RM'000	2015 RM'000
- Pound Sterling	36,602	27,775
- Ringgit Malaysia	7,767	6,746
- Thai Baht	141	270
	44,510	34,791

40 POST-EMPLOYMENT BENEFIT OBLIGATIONS (Continued)

- (g) The following table demonstrates the sensitivity of the Group's defined benefit obligations to a reasonably possible change in significant assumptions as at 31 March 2016:

	Increase RM'000	Decrease RM'000
Group 2016		
Discount rate (0.5% movement)	(52,109)	59,434
Future salary (0.5% movement)	6,476	(7,020)
	<hr/>	<hr/>
2015		
Discount rate (0.5% movement)	(61,667)	70,443
Future salary (0.5% movement)	8,373	(7,808)
	<hr/>	<hr/>

- (h) The maturity profile of defined benefit obligations is as follows:

	Group	
	2016	2015
Average duration of the defined benefit obligations (years)	6.8 - 20	7.8 - 21
	<hr/>	<hr/>

- (i) The expected contributions to defined benefit obligations are as follows:

	Group	
	2016 RM'000	2015 RM'000
Within the next 12 months	19,671	19,193
Between 2 and 5 years	109,410	108,917
Between 5 and 10 years	2,470	1,438
Beyond 10 years	11,905	16,531
Total expected payments	<hr/> 143,456	<hr/> 146,079

- (j) Major categories of plan assets of the foreign subsidiary company are as follows:

	Group	
	2016 RM'000	2015 RM'000
Equities	407,103	416,867
Bonds	134,101	115,188
Cash and cash equivalents	21,629	16,452
	<hr/> 562,833	<hr/> 548,507

NOTES TO THE FINANCIAL STATEMENTS

- 31 March 2016

41 BANKING RELATED LIABILITIES - DEPOSITS FROM CUSTOMERS

	Group	
	2016 RM'000	2015 RM'000
Non-Mudharabah Fund		
Demand deposits	3,679,040	2,676,732
Negotiable Islamic debts certificates	1,703,656	2,278,335
Saving deposits	1,096,785	460,847
Others	39,806	48,763
	6,519,287	5,464,677
Mudharabah Fund		
Fixed term accounts tawarruq	11,114,518	9,528,069
Short term accounts	1,248,375	1,619,208
General investment deposits	211,475	691,209
Demand deposits	-	939,517
Saving deposits	-	679,344
	12,574,368	13,457,347
Total	19,093,655	18,922,024
Non-current	66,987	51,826
Current	19,026,668	18,870,198
	19,093,655	18,922,024

- (a) The fair values of deposits from customers are estimated to approximate their carrying amounts as the profit rates are determined at the end of their holding period based on the actual profits generated from the assets invested.
- (b) The currency exposure profile of the deposits from customers of a banking subsidiary company is as follows:

	Group	
	2016 RM'000	2015 RM'000
- Ringgit Malaysia	18,749,157	18,255,793
- US Dollar	337,377	657,953
- Euro	7,056	8,143
- Other currencies	65	135
	19,093,655	18,922,024

41 BANKING RELATED LIABILITIES - DEPOSITS FROM CUSTOMERS (Continued)

(c) The maturity period of the deposits from customers of a banking subsidiary company are as follows:

	Group	
	2016 RM'000	2015 RM'000
- not later than 6 months	16,619,769	17,727,356
- later than 6 months and not later than 1 year	2,406,899	1,142,842
- later than 1 year and not later than 5 years	66,987	51,826
	19,093,655	18,922,024

(d) The weighted average effective annual profit rate of deposits from customers of a banking subsidiary at the end of the financial year is 3.10% (2015: 2.50%) per annum.

42 TRADE AND OTHER PAYABLES

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Trade payables		1,988,200	1,906,995	-	-
Other payables and accruals		2,806,079	2,393,220	96,654	31,767
Advances received on contracts		1,565,957	1,595,999	-	-
Progress billings		1,073	-	-	-
Amounts due to subsidiary companies		-	-	1,645,051	924,979
Amounts due to joint ventures		17,788	12,654	-	-
Amounts due to associated companies		20,233	49,468	-	-
Amounts due to related parties		7,869	2,231	-	-
Amounts due to customers on contracts	49	43	53	-	-
		6,407,242	5,960,620	1,741,705	956,746

NOTES TO THE FINANCIAL STATEMENTS

- 31 March 2016

42 TRADE AND OTHER PAYABLES (Continued)

(a) The currency exposure profile of trade and other payables is as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
- Ringgit Malaysia	5,125,871	4,999,023	1,741,705	956,746
- Euro	581,652	256,395	-	-
- US Dollar	438,535	362,949	-	-
- Pound Sterling	160,251	174,251	-	-
- Japanese Yen	50,533	54,322	-	-
- Thai Baht	34,278	45,740	-	-
- Indonesia Rupiah	7,513	7,844	-	-
- Singapore Dollar	6,869	10,024	-	-
- Chinese Renminbi	-	15,257	-	-
- Other currencies	1,740	34,815	-	-
	6,407,242	5,960,620	1,741,705	956,746

(b) The Group's and the Company's normal trade payables term ranges from 30 days to 180 days (2015: 30 days to 180 days).

(c) All other amounts due to joint ventures, associated companies and related parties are non-interest bearing, unsecured and repayable on demand.

(d) Included in the amount due to subsidiary companies are balances of RM773,664,000 (2015: RM183,430,000) which are interest bearing and unsecured. The interest rates range from 3.10% to 6.15% (2015: 2.90% to 5.79%) per annum.

43 BANK BORROWINGS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
(i) Bank overdrafts				
- secured	11,669	10,621	-	-
- unsecured	9,793	11,214	-	-
	21,462	21,835	-	-

43 BANK BORROWINGS (Continued)

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
(ii) Other bank borrowings					
<u>Secured</u>					
Bankers acceptances		2,741	31,513	-	-
Revolving credits		48,427	67,321	-	-
Short term loans		13,332	71,466	-	-
Short term loans under Islamic financing		155,247	-	-	-
Hire purchase and finance lease liabilities					
- portion repayable within 12 months	37	18,159	17,293	-	-
Long term loans					
- portion repayable within 12 months	37	420,866	434,060	31,441	106,441
Long term loans under Islamic financing					
- portion repayable within 12 months	37	659,930	181,381	485,753	74,557
Sub-total		1,318,702	803,034	517,194	180,998
<u>Unsecured</u>					
Bankers acceptances		803,932	933,974	-	-
Revolving credits		375,743	277,014	191,500	135,000
Short term loans		30,000	-	-	-
Long term loans					
- portion repayable within 12 months	37	7,278	2,018	-	-
Long term loans under Islamic financing					
- portion repayable within 12 months	37	4,135	39,707	-	-
Deferred liability		6,515	10,032	-	-
Sub-total		1,227,603	1,262,745	191,500	135,000
Total (Others - Secured and Unsecured)		2,546,305	2,065,779	708,694	315,998
Total bank borrowings		2,567,767	2,087,614	708,694	315,998

NOTES TO THE FINANCIAL STATEMENTS

- 31 March 2016

43 BANK BORROWINGS (Continued)

(a) The currency exposure profile of bank overdrafts and other bank borrowings is as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
- Ringgit Malaysia	2,310,899	2,006,175	708,694	315,998
- US Dollar	215,723	67,175	-	-
- Pound Sterling	35,117	9,857	-	-
- Singapore Dollar	2,899	2,694	-	-
- Thai Baht	3,129	1,713	-	-
	2,567,767	2,087,614	708,694	315,998

(b) The secured bank overdrafts, bankers acceptances and revolving credits are secured by way of fixed and floating charges over certain property, plant and equipment, prepaid lease properties, investment properties, property development activities, shares in certain subsidiary companies and an associated company, inventories and receivables (Notes 3, 13, 15, 16, 17, 18, 20, 28 and 29).

(c) The deferred liability owing by solid waste subsidiary company to local municipalities is in relation to the transfer of certain units of movable assets from these municipalities to the subsidiary company and the amounts are unsecured, non-interest bearing and payable in accordance with the repayment schedule.

(d) The weighted average effective annual interest/profit rates of the bank overdrafts and other bank borrowings at the end of the financial year are as follows:

	Group		Company	
	2016 %	2015 %	2016 %	2015 %
Bank overdrafts	7.71	8.26	-	-
Bankers acceptances	4.31	4.40	-	-
Revolving credits	5.64	5.69	5.73	5.86
Short term loans	3.90	2.38	-	-
Short term loans under Islamic financing	3.40	-	-	-

44 BANKING RELATED LIABILITIES - DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group	
	2016	2015
	RM'000	RM'000
Non-Mudharabah		
Bank Negara Malaysia	10,132	8,164
Other financial institutions	432,120	-
	<u>442,252</u>	<u>8,164</u>
Mudharabah		
Other financial institutions	-	400,672
	<u>442,252</u>	<u>408,836</u>

The above are denominated in Ringgit Malaysia and the average maturity period is not exceeding 1 year (2015: not exceeding 1 year).

45 BANKING RELATED LIABILITIES - BILLS AND ACCEPTANCES PAYABLE

Bills and acceptances payable are denominated in Ringgit Malaysia and the average maturity period is not exceeding 1 month (2015: not exceeding 1 month).

46 SHARE PREMIUM

	Group and Company	
	2016	2015
	RM'000	RM'000
At beginning/end of the financial year	<u>20,701</u>	<u>20,701</u>

47 MERGER RESERVE

Pursuant to Section 60(4)(a) of the Companies Act 1965, the premiums on the shares issued by the Company as consideration for the acquisitions of certain subsidiary companies in the financial year ended 31 March 2001 were not recorded as share premium. The difference between the issue price and the nominal value of shares issued were classified as merger reserve.

NOTES TO THE FINANCIAL STATEMENTS

- 31 March 2016

48 OTHER RESERVES

	Group	
	2016 RM'000	2015 RM'000
Non-distributable		
Share of subsidiary companies' reserve	361,762	313,841
Asset revaluation reserve on step up acquisition of subsidiary companies	21,101	21,101
Fair value reserve on property, plant and equipment and prepaid lease properties	16,170	15,642
Share of associated companies' reserves	2,769	2,769
Capital redemption reserve arising from redemption of preference shares	1,800	1,800
Reserve on valuation of post-employment benefit obligations	(35,964)	(30,465)
	367,638	324,688

49 CONSTRUCTION CONTRACTS

	Note	Group	
		2016 RM'000	2015 RM'000
Aggregate contract costs incurred		3,242,539	1,945,567
Recognised profits		605,146	435,129
		3,847,685	2,380,696
Less: Progress billings		(2,453,532)	(1,548,205)
		1,394,153	832,491
Analysed as follows:			
Amounts due from customers on contracts	29	1,394,196	832,544
Amounts due to customers on contracts	42	(43)	(53)
		1,394,153	832,491

50 RETAINED EARNINGS

The balance of the entire retained earnings of the Company as at 31 March 2016 may be distributed under the single tier system.

51 SUMMARY OF EFFECTS OF ACQUISITION AND RE-ORGANISATION OF COMPANIES

2016

(i) Subsidiary companies

- (a) On 8 June 2015, DRB-HICOM Berhad completed the acquisition of 100% equity interest in EON Network Systems Sdn. Bhd. ("ENSSB") comprising 2 ordinary shares of RM1.00 each from EON Technologies Sdn. Bhd., a wholly-owned subsidiary company of the Group, via an internal re-organisation. On 16 June 2015, ENSSB changed its name to DRB-HICOM Northern Gateway Sdn. Bhd.
- (b) On 15 September 2015, DRB-HICOM SPV (Labuan) Limited, a wholly-owned subsidiary company of the Group, was incorporated under the Labuan Companies Act 1990 in the Federal Territory of Labuan, Malaysia. It is involved in investment, funding and treasury related functions for the DRB-HICOM Group.
- (c) On 20 November 2015, DRB-HICOM Northern Gateway Sdn. Bhd., a wholly-owned subsidiary company, completed the acquisition of 100% equity interest in Northern Gateway Infrastructure Sdn. Bhd. ("NGISB") for a cash consideration of RM20,000,000. As a result, NGISB became a wholly-owned subsidiary company of the Group.
- (d) On 18 December 2015, the Company completed the acquisition of 51% equity interest in Media City Ventures Sdn. Bhd. ("MCVSB") for a purchase consideration of RM85,680,000. As a result, MCVSB became a subsidiary company of the Group.

Details of cash flow arising from the acquisitions for items (c) and (d) are as follows:

	RM'000
Purchase consideration, settled in cash	105,680
Cash and cash equivalents arising from acquisitions of subsidiary companies	(1,054)
Cash outflow from acquisitions of subsidiary companies	<u>104,626</u>

The subsidiary companies acquired during the financial year contributed revenue of approximately RM18,930,000 and loss after taxation of approximately RM153,000 to the Group for the period from the date of acquisition to 31 March 2016. Had the acquisitions taken effect at the beginning of the financial year, the revenue and loss after taxation contributed to the Group would have been RM18,930,000 and RM711,000 respectively.

Details of net assets acquired and goodwill arising from the above acquisitions are as follows:

	Carrying value	Fair value
	RM'000	RM'000
Property, plant and equipment	1,000	1,000
Trade and other receivables	96,653	96,653
Tax recoverable	4	4
Fixed deposits	532	532
Cash and bank balances	522	522

NOTES TO THE FINANCIAL STATEMENTS

- 31 March 2016

51 SUMMARY OF EFFECTS OF ACQUISITION AND RE-ORGANISATION OF COMPANIES (Continued)

2016 (Continued)

(i) Subsidiary companies (Continued)

Details of net assets acquired and goodwill arising from the above acquisitions are as follows: (Continued)

	Carrying value RM'000	Fair value RM'000
Trade and other payables	(101,011)	(101,011)
Non-controlling interest	3,048	3,048
Share of net assets acquired	<u>748</u>	<u>748</u>
Goodwill		<u>104,932</u>
Total purchase consideration		<u>105,680</u>

The accounting of business combination of NGISB and MCVSB were based on the provisional fair values of its identifiable assets, liabilities, and contingent liabilities. In accordance with FRS 3, the Group will be carrying out the Purchase Price Allocation ("PPA") exercise within 12 months from the date of acquisitions.

- (e) During the financial year ended 31 March 2016, the Group has completed the PPA exercise to determine the fair values of the net assets of DRB-HICOM Asia Cargo Express Sdn. Bhd. ("DHACE") within the stipulated time period, i.e. 12 months from the acquisition date, in accordance with FRS 3. The details are as follows:

	RM'000
Provisional goodwill	72,729
Final goodwill	72,637
Differences	(92)

The goodwill of RM72,637,000 comprises the value of expected synergies arising from the acquisition, which is not separately recognised. Goodwill is allocated entirely to the integrated logistics services segment.

The adjusted fair values of DHACE's identifiable assets, liabilities and contingent liabilities have been reflected in the Consolidated Statement of Financial Position as at 31 March 2015.

51 SUMMARY OF EFFECTS OF ACQUISITION AND RE-ORGANISATION OF COMPANIES (Continued)

2016 (Continued)

(i) Subsidiary companies (Continued)

(e) (Continued)

Below are the effects of the final PPA adjustments in accordance with FRS 3:

	As previously stated RM'000	Adjustments RM'000	As restated RM'000
As at 31 March 2015			
Consolidated Statement of Financial Position			
<u>Non-current assets</u>			
Intangible assets	1,392,565	(92)	1,392,473
<u>Equity</u>			
Reserves	5,850,985	(92)	5,850,893
Consolidated Statement of Changes in Equity			
Retained earnings	4,598,900	(92)	4,598,808
For the financial year ended 31 March 2015			
Consolidated Statement of Comprehensive Income			
Cost of sales	(11,728,480)	131	(11,728,349)
Administrative expenses	(1,344,450)	(955)	(1,345,405)
Other expenses	(114,398)	447	(113,951)
Taxation	(117,063)	285	(116,778)
Net profit for the financial year attributable to Owners of the Company	300,287	(92)	300,195
Total comprehensive income for the financial year attributable to Owners of the Company	318,023	(92)	317,931

(ii) Joint venture

On 25 September 2015, PROTON Holdings Berhad ("PROTON"), Lotus Group International Limited ("LGIL"), effectively wholly-owned subsidiary companies of the Group, and Goldstar Heavy Industrial Co., Ltd. ("Goldstar") formed a joint venture company known as Goldstar LOTUS Automobile Co., Ltd. ("Goldstar LOTUS") to produce and sell LOTUS branded passenger cars, engines, parts and components, and accessories, and to provide after-sales services (including spare parts), in connection with its products in the People's Republic of China. PROTON, LGIL and Goldstar's shareholdings in Goldstar LOTUS are 40%, 10% and 50% respectively. As a result, Goldstar LOTUS became a 50% owned joint venture of the Group.

NOTES TO THE FINANCIAL STATEMENTS

- 31 March 2016

51 SUMMARY OF EFFECTS OF ACQUISITION AND RE-ORGANISATION OF COMPANIES (Continued)

2016 (Continued)

(iii) Associated company

On 7 July 2015, HICOM Builders Sdn. Bhd. ("HBSB"), an indirect wholly-owned subsidiary company of the Group, entered into an agreement with MRCB Engineering Sdn. Bhd. ("MESB") and Dekad Kaliber Sdn. Bhd. ("DKSB"), in relation to the proposed development of the integrated, custom, quarantine and security complex located at Bukit Kayu Hitam, Kedah. HBSB and MESB's shareholdings in DKSB are 49% and 51% respectively. As a result, DKSB became a 49% associated company of the Group.

2015

(iv) Subsidiary companies

- (a) On 18 June 2014, Edaran Otomobil Nasional Berhad, effectively a wholly-owned subsidiary company of the Group, completed the acquisition of 100% equity interest in Sistem Sewa Kereta Malaysia Sdn. Bhd. ("SSKM") for a cash consideration of RM5,500,000. As a result, SSKM became a wholly-owned subsidiary company of the Group. On 23 January 2015, SSKM changed its name to DRB-HICOM EZ-Drive Sdn. Bhd. ("DHEZ"). The Group had completed the PPA exercise for DHEZ during the financial year ended 31 March 2015.
- (b) On 26 September 2014, Composites Testing Laboratory Asia Sdn. Bhd. ("CTLA"), an indirect 96.87% owned subsidiary company of the Group, increased its paid-up share capital by issuance of 120,000 new ordinary shares of RM1.00 each to Composites Testing Laboratory ("CTL"), a company incorporated in Ireland. On 31 March 2015, Composites Technology Research Malaysia Sdn. Bhd. ("CTRM"), the holding company of CTLA, acquired the shares held by CTL, for a total cash consideration of RM200,000. As a result, CTLA became a wholly-owned subsidiary company of CTRM. On 15 October 2015, CTLA changed its name to CTRM Testing Laboratory Sdn. Bhd.
- (c) On 25 November 2014, HICOM Holdings Berhad ("HHB"), effectively a wholly-owned subsidiary company of the Group, completed the acquisition of the remaining 30% equity interest in Oriental Summit Industries Sdn. Bhd. ("OSI") for a total cash consideration of RM12,036,000. As a result, the Group's effective equity interest in OSI increased from 70% to 100%.
- (d) On 29 January 2015, KL Airport Services Sdn. Bhd., an indirect wholly-owned subsidiary company of the Group, completed the acquisition of the 100% equity interest in Gading Sari Aviation Services Sdn. Bhd. ("GSAS") for a cash consideration of RM72,000,000. As a result, GSAS became a wholly-owned subsidiary company of the Group. On 16 April 2015, GSAS changed its name to DRB-HICOM Asia Cargo Express Sdn. Bhd. ("DHACE").
- (e) On 26 February 2015, pursuant to the Group intercompany balances restructuring, the Company completed the acquisition of the remaining 30.01% equity interest in HICOM Holdings Berhad ("HHB") from Mega Consolidated Sdn. Bhd., an effectively wholly-owned subsidiary company of the Group. As a result, HHB became a direct wholly-owned subsidiary company of the Company.

51 SUMMARY OF EFFECTS OF ACQUISITION AND RE-ORGANISATION OF COMPANIES (Continued)

2015 (Continued)

(iv) Subsidiary companies (Continued)

- (f) On 20 March 2015, DHACE completed the acquisition of 100% equity interest in Gading Sari Aviation Services Ltd. ("GSASL") for a cash consideration of USD2. As a result, GSASL became a subsidiary company of DHACE.
- (g) On 23 March 2015, HHB completed the acquisition of the remaining 49% equity interest in HICOM Petro-Pipes Sdn. Bhd. ("HPP") for a cash consideration of RM6,883,000. As a result, HPP became an indirect wholly-owned subsidiary company of the Group.
- (h) On 26 March 2015, Glenmarie Properties Sdn. Bhd., an indirect wholly-owned subsidiary company of the Group, completed the acquisition of the entire equity interest comprising 1,000 ordinary shares of RM1.00 each in HICOM Vertex Sdn. Bhd. from HHB via an internal re-organisation.
- (i) On 26 March 2015, PHN Industry Sdn. Bhd., an indirect wholly-owned subsidiary company of the Group, completed the acquisition of the entire equity interest comprising 2 ordinary shares of RM1.00 each in Connemara Development Sdn. Bhd. ("CDSB") from HICOM Berhad via an internal re-organisation. On 28 April 2015, CDSB changed its name to DRB-HICOM Mechatronics Sdn. Bhd.

Details of cash flow arising from the acquisitions for items (a), (d) and (f) are as follows:

	RM'000
Purchase consideration	77,500
Direct expenses attributable to the acquisitions	290
	<hr/>
Purchase consideration, settled in cash	77,790
Cash and cash equivalents arising from acquisitions of subsidiary companies	646
	<hr/>
Cash outflow from acquisitions of subsidiary companies	<u>78,436</u>

The subsidiary companies acquired during the financial year contributed revenue of approximately RM19,176,000 and profit after taxation of approximately RM1,324,000 to the Group for the period from the date of acquisition to 31 March 2015. Had the acquisitions taken effect at the beginning of the financial year, the revenue and profit after taxation contributed to the Group would have been RM102,184,000 and RM436,000 respectively.

NOTES TO THE FINANCIAL STATEMENTS

- 31 March 2016

51 SUMMARY OF EFFECTS OF ACQUISITION AND RE-ORGANISATION OF COMPANIES (Continued)

2015 (Continued)

(iv) Subsidiary companies (Continued)

Details of net assets acquired and goodwill arising from the above acquisitions are as follows:

	Carrying value RM'000	Fair value RM'000
Property, plant and equipment	8,754	8,307
Deferred tax asset	–	285
Trade and other receivables	8,610	8,995
Tax recoverable	106	106
Short term deposits	1,719	1,719
Cash and bank balances	293	293
Trade and other payables	(8,707)	(8,873)
Deferred income	(2,896)	(2,896)
Bank borrowings - others	(4,457)	(4,457)
Current tax liabilities	(588)	(588)
Share of net assets acquired	<u>2,834</u>	2,891
Goodwill		<u>74,609</u>
Total purchase consideration		<u>77,500</u>

52 SUMMARY OF EFFECTS OF DILUTION AND DISPOSAL OF COMPANIES

2016

(i) Subsidiary companies

- (a) On 26 August 2015, the Company announced that Myanmar Scott & English Co., Ltd ("MSE"), a wholly-owned dormant subsidiary company of Scott & English (Malaysia) Sdn. Bhd., which in turn is an indirect 70% owned subsidiary company of the Group, was voluntarily deregistered. As a result, MSE ceased to be a subsidiary company of the Group.
- (b) On 26 August 2015, the Company announced that Scott & English (Cambodia) Limited ("SEC"), a wholly-owned dormant subsidiary company of Scott & English (Malaysia) Sdn. Bhd., which in turn is an indirect 70% owned subsidiary company of the Group, was voluntarily deregistered. As a result, SEC ceased to be a subsidiary company of the Group.

(ii) Associated companies

- (a) On 27 April 2015, Edaran Otomobil Nasional Berhad, an indirect wholly-owned subsidiary company of the Group, entered into a share sale agreement with Johnson Controls Holding Japan TYK for the disposal of its entire 30% equity interest in Johnson Controls Automotive Holding (M) Sdn. Bhd. for a cash consideration of RM45,000,000. The transaction was completed on even date.
- (b) On 11 August 2015, Perusahaan Otomobil Nasional Sdn. Bhd., a wholly-owned indirect subsidiary company of the Group, completed the disposal of its entire 25% equity interest in Vina Star Motors Corporation ("VSMC") to Mitsubishi Motor Corporation and Mitsubishi Corporation for a sale consideration of RM17,146,000. As a result, VSMC ceased to be an associated company of the Group.

2015

(iii) Subsidiary companies

- (a) On 10 July 2014, Scott & English (Malaysia) Sdn. Bhd., a 70% owned subsidiary company of the Group, disposed its entire 51% equity interest in Scott & English Trading (Sarawak) Sdn. Bhd. ("SET") for a cash consideration of RM649,000. As a result, SET ceased to be an indirect subsidiary company of the Group.
- (b) On 16 July 2014, Uni.Asia Capital Sdn. Bhd., an indirect 51% subsidiary company of the Group, completed the disposal of its entire equity interest of 68.09% in Uni.Asia General Insurance Berhad ("UAG") for a total cash consideration of approximately RM374,519,000. As a result, UAG ceased to be an indirect subsidiary company of the Group.
- (c) On 28 November 2014, Parcel Tankers Malaysia Sdn. Bhd. ("PTM"), an indirect wholly-owned subsidiary company of the Group, increased its paid-up share capital from RM250,000 to RM3,840,000 by issuance of 1,708,400 new ordinary shares of RM1.00 each to its existing holding company, PNSL Berhad (51%) and 1,881,600 new ordinary shares of RM1.00 each to Yuma Shipping Pte. Ltd., Singapore (49%). As a result, the Group's effective equity interest in PTM reduced from 100% to 51%.

NOTES TO THE FINANCIAL STATEMENTS

- 31 March 2016

52 SUMMARY OF EFFECTS OF DILUTION AND DISPOSAL OF COMPANIES (Continued)

2015 (Continued)

(iii) Subsidiary companies (Continued)

The effect of the disposals of the subsidiary companies from items (a) and (b), up to the date of disposal on the results of the Group is shown below:

	RM'000
Revenue	150,331
Cost of sales	(119,294)
Gross profit	31,037
Other income	11,582
Administrative expenses	(20,548)
Other expenses	(161)
Finance costs	(673)
Profit before taxation	21,237
Taxation	(3,441)
Profit after taxation	17,796

Below is the effect of the disposals of the subsidiary companies on the financial position and the cash flows of the Group:

	RM'000
Property, plant and equipment	34,920
Investment properties	46,848
Intangible assets	2,748
Investment securities: available-for-sale	86,076
Investment securities: held-for-maturity	86,149
Other assets	124
Inventories	1,922
Trade and other receivables	158,121
Reinsurance assets	220,460
Tax recoverable	648
Short term deposits	636,170
Cash and bank balances	3,132
General insurance contract liabilities	(718,558)
Post-employment benefit obligations	(404)
Short term borrowings - others	(4,900)
Trade and other payables	(129,335)
Current tax liabilities	(23)
Sub-total carried forward	424,098

52 SUMMARY OF EFFECTS OF DILUTION AND DISPOSAL OF COMPANIES (Continued)

2015 (Continued)

(iii) Subsidiary companies (Continued)

Below is the effect of the disposals of the subsidiary companies on the financial position and the cash flows of the Group:
(Continued)

	RM'000
Sub-total brought forward	424,098
Deferred tax liabilities	528
Non-controlling interest	(157,490)
Share of net assets disposed	267,136
Gain on disposals	97,424
Total sale consideration (net)	364,560
Less: Cash and bank balances of the subsidiary companies disposed	(639,302)
Add: Bank overdraft of the subsidiary company disposed	40
Add: Accruals	1,265
Net cash outflow on disposals	(273,437)
Sales consideration	375,168
Less: Direct expenses attributable to the disposals	(10,608)
Sale consideration (net)	364,560

(iv) Joint venture

On 14 November 2014, the Company and ISUZU Motors Asia Limited ("IMA") entered into a share sale and purchase agreement with ISUZU HICOM Malaysia Sdn. Bhd. ("IHM"), a 49% indirect associated company of the Group, for the following:

- i. Disposal of 25.57% equity interest in Isuzu Malaysia Sdn. Bhd. ("IMSB") by the Company to IHM for cash consideration of RM20,460,000; and
- ii. Disposal of 25.43% equity interest in IMSB by IMA to IHM for cash consideration of RM20,340,000.

The above disposals were completed on the even date and referred to as the internal re-organisation. As a result, the Group's effective shareholding in IMSB reduced from 49% to 48.42%.

NOTES TO THE FINANCIAL STATEMENTS

- 31 March 2016

53 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions which were carried out on mutually agreed terms and conditions.

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
(a) Sale of goods/services to:				
- Joint ventures	60,838	57,975	-	-
- Associated companies	215,834	239,298	-	-
- Related parties	82,130	92,437	-	-
(b) Purchase of goods/services from:				
- Joint ventures	357,791	429,625	-	-
- Associated companies	6,665	19,499	-	-
- Related parties	121,291	121,571	-	-
(c) Dividend income:				
- Subsidiary companies	-	-	182,599	152,454
- Associated companies	-	-	152,713	127,968
(d) Interest income:				
- Subsidiary companies	-	-	50,161	8,429
(e) Year end balances - banking:				
- Related parties				
Short term deposits	548,320	737,795	-	-
Revolving credits	410,786	363,504	-	-
Trade line	416,745	464,871	-	-
Term loan	61,069	1,727	-	-
Bank guarantee	62,125	64,976	-	-
Bonds purchased	55,114	75,457	-	-
- Associated companies				
Short term deposits	18,773	48,912	-	-
Revolving credits	48,923	75,444	-	-
(f) Key management compensation:				
- Salaries, bonuses, allowances and other benefits	12,248	12,142	-	-
- Defined contribution plan	999	1,779	-	-

54 CAPITAL AND OTHER COMMITMENTS

(a) Non-banking(i) Capital commitments

Capital expenditure as at the reporting date is as follows:

	Group	
	2016	2015
	RM'000	RM'000
Authorised capital expenditure for property, plant and equipment, investment properties and intangible assets not provided for in the financial statements		
- contracted for	570,522	341,698
- not contracted for	2,055,354	2,566,318
	2,625,876	2,908,016

(ii) Operating lease commitments – as lessee

Future minimum rentals payable under commitments for non-cancellable operating leases at the reporting date are as follows:

	Group	
	2016	2015
	RM'000	RM'000
Repayable within 1 year	49,226	63,015
Repayable within 2 to 5 years	50,444	71,005
Repayable more than 5 years	15,125	11,331
	114,795	145,351

(iii) Operating lease commitments – as lessor

Future minimum rentals receivable under commitments for non-cancellable operating leases at the reporting date are as follows:

	Group	
	2016	2015
	RM'000	RM'000
Receivable within 1 year	40,610	31,355
Receivable within 2 to 5 years	39,979	27,951
Receivable more than 5 years	5,374	24,933
	85,963	84,239

NOTES TO THE FINANCIAL STATEMENTS

- 31 March 2016

54 CAPITAL AND OTHER COMMITMENTS (Continued)

(b) Banking

In the normal course of business, the banking subsidiary company makes various commitments and incurs certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions.

Risk weighted exposures of a banking subsidiary company are as follows:

	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000
At 31 March 2016			
Contingent liabilities			
Direct credit substitutes	61,401	61,401	60,691
Trade-related contingencies	9,778	1,956	1,444
Transaction related contingencies	247,807	123,904	123,775
Commitments			
Credit extension commitment:			
- maturity within one year	808,248	161,650	155,099
- maturity exceeding one year	1,878,796	939,398	185,501
Islamic derivative financial instruments			
Profit rate related contracts	3,675,000	48,901	9,780
Foreign exchange related contracts	1,333,866	61,167	37,838
	8,014,896	1,398,377	574,128
At 31 March 2015			
Contingent liabilities			
Direct credit substitutes	62,225	62,225	62,072
Trade-related contingencies	18,829	3,766	2,810
Transaction related contingencies	246,641	123,320	122,737
Commitments			
Credit extension commitment:			
- maturity within one year	1,261,070	252,214	229,846
- maturity exceeding one year	2,010,431	1,005,215	240,756
Islamic derivative financial instruments			
Profit rate related contracts	3,675,000	89,596	17,920
Foreign exchange related contracts	2,181,114	67,921	44,486
	9,455,310	1,604,257	720,627

55 MATERIAL LITIGATIONS

- (a) A contractual dispute between DRB-HICOM Asia Cargo Express Sdn. Bhd. (formerly known as Gading Sari Aviation Services Sdn. Bhd.) ("Plaintiff"), an indirect wholly-owned subsidiary company of the Group, and Neptune Air Sdn. Bhd. ("Defendant") with both Parties contending that the other party is in breach of the Aircraft Dry Lease Agreement dated 23 November 2011 ("Agreement 1") and the Aircraft Charter Agreement dated 23 November 2011 ("Agreement 2") (collectively referred to as the "Agreements"). The dispute centers on a suspension notice dated 4 December 2012 issued by the Defendant pursuant to which the Defendant purportedly ceased the services under the Agreements ("Suspension"). The Plaintiff thereafter accepted the Suspension as a repudiation of the Agreements on the part of Defendant and terminated the same by notice dated 6 December 2012 ("Termination").

In the action, the Plaintiff sought declaratory relief to validate the Termination and sought the recovery of losses incurred to extent of RM678,225 together with interest and cost. The Defendant, on the other hand, took the opposite position and maintained that the Termination was unlawful and has counterclaimed for RM81,821,083 together with interest and cost.

The High Court on 30 April 2014 held as follows:

1. that the Suspension by the Defendant under Agreement 2 was unlawful and invalid and the Termination by the Plaintiff was lawful, valid and binding on the Defendant;
2. that the Suspension by the Defendant under Agreement 1 was lawful and valid and the Termination by the Plaintiff was unlawful and invalid;
3. that the damages to be assessed before the Senior Assistant Registrar; and
4. that the Defendant shall pay the Plaintiff costs of RM250,000 and the Plaintiff shall pay the Defendant costs of the counterclaim of RM250,000.

The Plaintiff filed an appeal and the Defendant also filed a cross appeal on the High Court decision and on 27 February 2015, the Court of Appeal ("COA") held as follows:

1. Plaintiff appeal for item 1 and 4 above was allowed.
2. Defendant cross-appeal for item 2 and 4 above was dismissed.
3. Costs for the appeal and cross appeal RM30,000 payable by Defendant to Plaintiff.

On 26 March 2015, the Defendant filed an Application for Leave to Appeal at the Federal Court. On 27 June 2016, the Federal Court allowed the Defendant's application and granted the Leave to Appeal to the Federal Court. The Defendant needs to file the Notice of Appeal to the Federal Court within 14 days from 27 June 2016 and the Record of Appeal in the Federal Court for the proper Appeal before the Federal Court can fix for a case management date.

NOTES TO THE FINANCIAL STATEMENTS

- 31 March 2016

55 MATERIAL LITIGATIONS (Continued)

- (b) Subsequent to the financial year end, BT Automotive Systems Sdn. Bhd. ("BT Auto"), a natural gas vehicle ("NGV") system supplier, filed a Writ of Summons and Statement of Claim against Perusahaan Otomobil Nasional Sdn. Bhd. ("PONSB"), a wholly-owned subsidiary company of PROTON, at High Court for the following:
- (i) RM9,142,238 being reduction given to PONSBB;
 - (ii) RM24,637,500 being value of the buffer stock bought by BT Auto;
 - (iii) RM2,002,000 being costs incurred by BT Auto as investment for the NGV system;
 - (iv) Exemplary damages;
 - (v) Interest of 5% from the judgement date till full settlement; and
 - (vi) Other relevant costs.

The RM9,142,238 is the difference between the claim sum made by BT Auto and the settlement sum agreed pursuant to a Settlement Agreement dated 2 September 2010. BT Auto alleged that it was required by PONSBB to have certain amount of buffer stock of NGV system. However, PONSBB denied such claim as it has never specified the number of buffer stock to be kept and did not issue any purchase order for the buffer stock.

Accordingly, PONSBB filed its defence and on 8 June 2016, the Court has fixed the case management for 1 July 2016.

56 GROUP SEGMENT REPORTING

For management purpose, the Group is organised into business units based on the industry and has three reportable segments as follows:

Industry segment	Description
Automotive	Manufacturing, assembly, vehicles importation, pre-delivery inspection, composite manufacturing, vehicles leasing, distribution and sale of motor vehicles, military vehicles, motorcycles and special purpose vehicles including sale of related spares and services.
Services	<ul style="list-style-type: none"> (i) Concession - Vehicle inspection, solid waste management and airport ground handling business. (ii) Banking - Islamic banking and related financial services. (iii) Postal - Mail, courier and retail. (iv) Integrated logistics and inventory solutions. (v) Education - Higher education and vocational training institution.
Property, Asset and Construction	Property holding, development and construction works.

The Management Committee monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

56 GROUP SEGMENT REPORTING (Continued)

(a) Primary reporting format - business segment

Inter-segment revenue comprises revenue to other business segments carried out on an arm's length basis.

Segment results represent segment revenue less segment expenses. Unallocated expenses represent corporate operating and administrative expenses.

Segment assets consist of primarily of property, plant and equipment, concession assets, prepaid lease properties, investment properties, inventories, receivables, property development costs, land held for property development, investment securities, banking related assets, cash and bank balances and derivative assets. Segment liabilities comprise mainly payables, banking related liabilities, provision for liabilities and charges, provision for concession assets and derivative liabilities. Unallocated liabilities consist of accruals on corporate operating and administrative expenses.

Capital expenditure comprises additions of property, plant and equipment, concession assets, prepaid lease properties, investment properties, intangible assets, land held for property development and property development costs.

(b) Secondary reporting format - geographical segment

The Group's secondary format, by geographical location, is not shown as the activities of the Group are predominantly in Malaysia and the overseas segment does not contribute to more than 10% of the consolidated revenue and assets.

NOTES TO THE FINANCIAL STATEMENTS

- 31 March 2016

56 GROUP SEGMENT REPORTING (Continued)

The information of each of the Group's business segments for the financial year ended 31 March 2016 is as follows:

Primary reporting format - business segment

	Automotive RM'000	Services RM'000	Property, Asset & Construction RM'000	Investment Holding RM'000	Group RM'000
Financial year ended 31 March 2016					
Revenue					
Total revenue	9,773,299	2,685,623	351,168	56,024	12,866,114
Inter-segment revenue	(407,396)	(172,403)	(57,350)	(56,024)	(693,173)
External revenue	9,365,903	2,513,220	293,818	-	12,172,941
Segment results					
Unallocated expenses	(1,038,941)	303,585	32,935	33,966	(668,455)
Interest income					(50,909)
Finance costs					53,126
Share of results of joint ventures (net of tax)	20,333	-	1,726	-	(382,094)
Share of results of associated companies (net of tax)	182,369	22,523	114	-	22,059
Loss before taxation					205,006
Taxation					(821,267)
Net loss for the financial year					(49,491)
Attributable to:					(870,758)
Owners of the Company					(991,900)
Holders of Perpetual Sukuk					76,865
Non-controlling interest					44,277

56 GROUP SEGMENT REPORTING (Continued)

Primary reporting format - business segment (Continued)

	Automotive RM'000	Services RM'000	Property, Asset & Construction RM'000	Investment Holding RM'000	Group RM'000
Financial year ended 31 March 2016					
Other information					
Segment assets	11,291,194	24,085,495	2,865,035	218,895	38,460,619
Interest bearing short term deposits					1,420,553
Taxation assets					334,719
Joint ventures	404,747	-	46,276	-	451,023
Associated companies	639,532	714,373	10,711	-	1,364,616
Assets held for sale	-	10,819	-	-	10,819
Total assets	5,499,427	20,449,690	520,748	102,944	42,042,349
Segment liabilities					26,572,809
Interest bearing borrowings					6,871,260
Taxation liabilities					81,849
Unallocated liabilities					13,142
Total liabilities					33,539,060
Capital expenditure	1,002,009	123,976	171,812	1,472	1,299,269
Depreciation and amortisation	597,715	116,064	19,472	3,640	736,891
Impairment loss	85,577	23,076	-	-	108,653

NOTES TO THE FINANCIAL STATEMENTS

- 31 March 2016

56 GROUP SEGMENT REPORTING (Continued)

The information of each of the Group's business segments for the financial year ended 31 March 2015 is as follows:

Primary reporting format - business segment

	Automotive RM'000	Services RM'000	Property, Asset & Construction RM'000	Investment Holding RM'000	Group RM'000
Financial year ended 31 March 2015 (Restated)					
Revenue					
Total revenue	11,307,998	2,711,169	367,565	54,229	14,440,961
Inter-segment revenue	(525,694)	(103,863)	(69,336)	(54,229)	(753,122)
External revenue	10,782,304	2,607,306	298,229	-	13,687,839
Segment results	64,426	299,379	81,620	15,876	461,301
Gain on disposal of subsidiary companies					97,424
Unallocated expenses					(31,336)
Interest income					65,132
Finance costs					(392,054)
Share of results of joint ventures (net of tax)	21,875	-	4,906	-	26,781
Share of results of associated companies (net of tax)	232,833	41,753	-	-	274,586
Profit before taxation					501,834
Taxation					(116,778)
Net profit for the financial year					385,056
Attributable to:					
Owners of the Company					300,195
Holders of Perpetual Sukuk					14,401
Non-controlling interest					70,460

56 GROUP SEGMENT REPORTING (Continued)

Primary reporting format - business segment (Continued)

	Automotive RM'000	Services RM'000	Property, Asset & Construction RM'000	Investment Holding RM'000	Group RM'000
Financial year ended 31 March 2015					
(Restated)					
Other information					
Segment assets	11,780,302	23,799,813	2,524,371	231,272	38,335,758
Interest bearing short term deposits					1,872,889
Taxation assets	340,707	-	49,545	-	390,010
Joint ventures	592,427	714,589	-	-	390,252
Associated companies	58,738	4,667	-	-	1,307,016
Assets held for sale					63,405
Total assets	5,386,296	20,118,957	381,363	69,858	42,359,330
Segment liabilities					25,956,474
Interest bearing borrowings					6,909,731
Taxation liabilities					126,376
Unallocated liabilities					14,674
Total liabilities					33,007,255
Capital expenditure	745,268	149,609	16,619	3,607	915,103
Depreciation and amortisation	550,244	103,374	19,390	4,059	677,067
Impairment loss of/(reversal of impairment loss), net	2,997	(21,497)	(22,147)	-	(40,647)

NOTES TO THE FINANCIAL STATEMENTS

- 31 March 2016

57 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the Directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future events. The resulting accounting estimates will, by definition, rarely equal to the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Group's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

(a) Deferred tax assets

Deferred tax assets are recognised for all unabsorbed tax losses, unutilised capital allowances and unutilised reinvestment allowances to the extent that it is probable that taxable profit will be available against which the losses and tax allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised based on the likely timing and level of future taxable profits together with future tax planning strategies.

(b) Estimate of fair value of investment properties

The Group and the Company estimate the fair values of its investment properties using investment and market comparison methods. The fair value of investment properties is determined by independent professional valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The independent professional valuers provide the fair value of the Group's and of the Company's investment properties portfolio annually. The principal assumptions underlying these valuations are further explained in Note 60(c)(vii).

(c) Carrying value of intangible assets

The Group assesses the carrying amount of intangible assets whenever the events or changes in circumstances that indicates that the carrying amount of an asset may not be recoverable i.e. the carrying amount of the asset is more than the recoverable amount, other than goodwill, brand name and capitalised development costs of work-in-progress which are assessed annually. Recoverable amount is measured at the higher of the fair value less costs to sell for that asset and its value in use. The value in use is the net present value of the projected future cash flows derived from the asset discounted at an appropriate discount rate.

Projected future cash flows are based on the Group's estimates calculated based on the cash-generating unit's operating results, approved business plans, expected market growth and industry growth, as well as future economic conditions and other data.

57 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)**(d) Provision for product warranties**

Certain subsidiary companies make provision for product warranties based on an assessment of historical experience and industry average for defective productions. The identification of defect liability requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of the provision for product warranties and will be charged to profit or loss as defective works and product warranty expenses in the period such an estimate has been changed.

The carrying amounts of provision for product warranties for defective works are disclosed in Note 38.

(e) Provision for concession assets

Under the Service Concession Agreement, the concession subsidiary company has contractual obligations to ensure that the levels of investments are sufficient to maintain the collection services and public cleansing management services to a specified standard. The subsidiary company has recognised a provision for its obligation which depends on the estimated future capital expenditure to maintain the services. These judgements and assumptions are subject to risks and uncertainties, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of provisions recognised in the financial statements.

(f) Construction contracts and property development activities

The Group recognises revenue based on percentage of completion method. The stage of completion is measured by reference to the costs incurred to date to the estimated total costs. Judgement is required in determining the stage of completion, the extent of the costs incurred, the estimated total revenue (other than fixed price contracts) and costs, as well as the recoverability of the receivables. In making the judgement, the Group relies on past experience and work of specialists.

(g) Impairment of property, plant and equipment

The Group tests property, plant and equipment for impairment if there is any indicator of impairment. The recoverable amounts are determined based on value in use or fair value less costs to sell, whichever is higher. Based on these calculations, an impairment loss of RM4,355,000 (2015: RM1,497,000) was recognised during the financial year.

(h) Impairment of loans and receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

NOTES TO THE FINANCIAL STATEMENTS

- 31 March 2016

57 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(i) Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting date. The Group has used discounted cash flow analysis for various available-for-sale financial assets that are not traded in active markets.

(j) Allowance for inventory write down

Allowance for inventory write down is made based on an analysis of the ageing profile and expected sales patterns of individual items held in inventory. This requires an analysis of inventory usage based on expected future sales transactions taking into account current market prices, useful lives of inventories and expected cost to sell. Changes in the inventory ageing and expected usage profiles can have an impact on the allowance recorded.

(k) Classification of leases – as lessor

The Group, as the lessor, has entered into long term leasing agreements for certain of its motor vehicles with its customers (as lessees). The Group assessed the following:

- (i) The Group does not pass the titles of the motor vehicles to the lessee by the end of the lease term;
- (ii) The lessee has no option to purchase the motor vehicles;
- (iii) The lease term is not for a major part of the economic life of the motor vehicles;
- (iv) At the inception of the lease, the present value of the minimum lease payments amounts is not substantially all the fair value of the leased motor vehicles; and
- (v) The motor vehicles leased are not specialised in nature.

Management are of the view that the Group retains all the significant risks and rewards of ownership of these motor vehicles and thus accounted for the leasing agreements as operating leases.

58 SIGNIFICANT EVENT

- (a) On 14 March 2016, the Company entered into a conditional shares sale agreement with Pos Malaysia Berhad ("Pos Malaysia") for the following proposals:
- (i) Proposed disposal of 100% equity interest in KL Airport Services Sdn. Bhd. ("KLAS") for a total consideration of RM749.35 million ("Proposed KLAS Disposal").
 - (ii) Proposed disposal of part of a parcel of freehold industrial land measuring 9.912 acres located in Section 28, Shah Alam for a total consideration of RM69.0 million ("Proposed Land Disposal").

The Proposed KLAS Disposal and Proposed Land Disposal are collectively referred to as "Proposed Disposals".

The total consideration of Proposed Disposals of RM818.35 million shall be satisfied via the issuance of 245,750,751 new ordinary shares of RM0.50 each in Pos Malaysia ("POSM Shares") at an issue price of RM3.33 per POSM Shares. The proposed disposals are subject to the authorities' and shareholders' approvals.

Upon completion of the above exercise, Pos Malaysia which is currently an associated company will become a 53.50% owned subsidiary company of the Group.

- (b) Save as disclosed above and elsewhere in the financial statements, there was no significant event during the financial year.

59 SUBSEQUENT EVENT

On 6 June 2016, PROTON Holdings Berhad ("PROTON"), a wholly-owned subsidiary company of the Group, had entered into a conditional subscription agreement with GOVCO Holdings Berhad ("GOVCO"), a 99.99% company owned by Minister of Finance Incorporated, for the subscription of 1,250,000,000 new redeemable convertible cumulative preference shares ("RCCPS") comprising par value of RM0.01 each and premium of RM0.99 each at an issue price of RM1.00 each by GOVCO. The issuance of RCCPS will enable PROTON to regularise its cash flow and settle the long outstanding balances payable to the various creditors. The subscription agreement was completed on 7 June 2016.

NOTES TO THE FINANCIAL STATEMENTS

- 31 March 2016

60 FAIR VALUE MEASUREMENT

(a) Financial and non-financial instruments measured at fair value

The table below provides the fair value measurement hierarchy of the Group's and the Company's assets and liabilities:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Group				
2016				
Assets measured at fair value:				
Investment securities: available-for-sale	96,086	5,631,019	19,264	5,746,369
Investment securities: fair value through profit or loss	-	-	186,355	186,355
Derivative assets	-	40,951	-	40,951
Investment properties	-	-	617,955	617,955
	96,086	5,671,970	823,574	6,591,630
Assets for which fair values are disclosed:				
Investment securities: held-to-maturity	-	143,374	-	143,374
Financing of customers	-	8,014,064	4,706,692	12,720,756
	-	8,157,438	4,706,692	12,864,130
Liabilities measured at fair value:				
Derivative liabilities	-	98,346	-	98,346
Liabilities for which fair values are disclosed:				
Borrowings (non-current)	-	2,518,325	-	2,518,325
Deposit from customers	-	1,481,074	18,163,632	19,644,706
Deposits and placements of banks and other financial institutions	-	432,120	9,823	441,943
Bills and acceptances payable	-	-	29,350	29,350
	-	4,431,519	18,202,805	22,634,324

60 FAIR VALUE MEASUREMENT (Continued)

(a) Financial and non-financial instruments measured at fair value (Continued)

The table below provides the fair value measurement hierarchy of the Group's and the Company's assets and liabilities:
(Continued)

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Group				
2015				
Assets measured at fair value:				
Investment securities: available-for-sale	67,771	6,391,944	22,002	6,481,717
Investment securities: fair value through profit or loss	-	-	118,657	118,657
Derivative assets	-	74,975	-	74,975
Investment properties	-	-	560,325	560,325
	67,771	6,466,919	700,984	7,235,674
Assets for which fair values are disclosed:				
Investment securities: held-to-maturity	-	137,271	-	137,271
Financing of customers	-	7,021,209	4,484,165	11,505,374
	-	7,158,480	4,484,165	11,642,645
Liabilities measured at fair value:				
Derivative liabilities	-	56,851	-	56,851
Liabilities for which fair values are disclosed:				
Borrowings (non-current)	-	2,884,590	-	2,884,590
Deposits from customers	-	13,533,376	6,012,314	19,545,690
Deposits and placements of banks and other financial institutions	-	403,783	4,718	408,501
Bills and acceptances payable	-	-	67,723	67,723
	-	16,821,749	6,084,755	22,906,504

NOTES TO THE FINANCIAL STATEMENTS

- 31 March 2016

60 FAIR VALUE MEASUREMENT (Continued)

(a) Financial and non-financial instruments measured at fair value (Continued)

The table below provides the fair value measurement hierarchy of the Group's and the Company's assets and liabilities:
(Continued)

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Company				
2016				
Assets measured at fair value:				
Investment properties	-	-	136,355	136,355
Liabilities for which fair values are disclosed:				
Borrowings (non-current)	-	1,405,632	-	1,405,632
2015				
Assets measured at fair value:				
Investment properties	-	-	144,316	144,316
Liabilities for which fair values are disclosed:				
Borrowings (non-current)	-	1,829,460	-	1,829,460

There is no transfer from Levels 1, 2 and 3 during the financial year.

For fair value measurements categorised within Levels 2 and 3 of the fair value hierarchy, the fair values are determined using appropriate valuations technique, which include the use of mathematical models, such as discounted cash flow models and option pricing models, comparison to similar instruments for which market observable prices exist and other valuation techniques. Valuation techniques used incorporate assumptions regarding discount rates, profit rate yield curves, estimates of future cash flows and other factors.

60 FAIR VALUE MEASUREMENT (Continued)

(a) Financial and non-financial instruments measured at fair value (Continued)

The reconciliation of the financial and non-financial assets that are measured at Level 3 of the hierarchy of fair value is as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At beginning of the financial year	700,984	776,513	144,316	151,400
Disposal of a subsidiary company	-	(46,886)	-	-
Total gain through profit or loss	45,865	25,249	(8,134)	(8,377)
Purchases	50,002	29,457	173	1,293
Sales	(474)	(16,010)	-	-
Reclassification from/(to) investment securities:				
held-to-maturity	4,933	(136,230)	-	-
Transfer from property, plant and equipment	1,295	40,062	-	-
Transfer from prepaid lease properties	-	3,246	-	-
Transfer to assets held for sale	(10,812)	-	-	-
Coupon received by a banking subsidiary company	(3,481)	(971)	-	-
Currency translation differences	35,262	26,554	-	-
At end of the financial year	823,574	700,984	136,355	144,316

NOTES TO THE FINANCIAL STATEMENTS

- 31 March 2016

60 FAIR VALUE MEASUREMENT (Continued)

- (b) Financial instruments that are not measured at fair value and which carrying amounts are not reasonable approximation of fair value:

	Note	Group		Company	
		Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
2016					
Financial liabilities:					
Borrowings (non-current)	37				
- Hire purchase and finance lease liabilities		29,355	29,355	-	-
- Long term loans (fixed rate)		493,643	493,643	-	-
- Long term loans under Islamic financing (fixed rate)		1,995,327	1,994,373	1,405,632	1,404,679
		2,518,325	2,517,371	1,405,632	1,404,679
2015					
Financial liabilities:					
Borrowings (non-current)	37				
- Hire purchase and finance lease liabilities		27,055	27,055	-	-
- Long term loans (fixed rate)		174,746	163,557	-	-
- Long term loans under Islamic financing (fixed rate)		2,682,789	2,577,217	1,829,460	1,826,908
		2,884,590	2,767,829	1,829,460	1,826,908

60 FAIR VALUE MEASUREMENT (Continued)

(c) Determination of fair value

(i) Assets and liabilities that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	Note
Trade and other receivables (current)	29
Trade and other payables (current)	42
Borrowings (current)	43

The carrying amounts of these financial assets and liabilities reasonably approximate fair value, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

The carrying amounts of the current portion of borrowings are reasonably approximate fair value due to the insignificant impact of discounting.

The fair values of borrowings are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the reporting date.

(ii) Amounts due from subsidiary companies, loans to/from subsidiary companies, finance lease obligations and fixed rate bank loans

The fair values of these financial instruments are estimated by discounting the expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the reporting date.

(iii) Quoted equity instruments

Fair value is determined directly by reference to their published market bid price at the reporting date.

(iv) Unquoted equity instruments

These investments are valued using valuation models which use both observable and non-observable data. The non-observable inputs to the models include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates.

(v) Unquoted private debt securities and corporate bonds

Fair value is estimated by using a discounted cash flow model based on various assumptions, including current and expected future credit losses, market rates of interest, prepayment rates and assumptions regarding market liquidity.

NOTES TO THE FINANCIAL STATEMENTS

- 31 March 2016

60 FAIR VALUE MEASUREMENT (Continued)

(c) Determination of fair value (Continued)

(vi) Derivatives

Forward currency contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rate curves.

(vii) Investment properties

Fair value of investment properties have been generally derived using the investment method and market comparison approach. The inputs used for the determination of fair value of investment properties are categorised as Level 3.

Investment method entails the capitalisation of the net rent from a property at a suitable rate of return. Net rent is the balance sum after deducting service charge, property tax and a reasonable percentage for vacancy from the gross rent. The significant unobservable inputs are market rental rate, outgoings, vacancy rate, term yield and reversionary yield.

For market comparison method, the principal assumptions underlying these valuations are those relating to rentals, market yields, maintenance requirements and capitalisation rates and current prices of similar properties or property prices in less active markets adjusted accordingly. Independent professional valuations are obtained for these estimates. The significant unobservable inputs are location, accessibility, size, shape, tenorial interest and restriction (if any) and other relevant characteristics.

Sensitivity of unobservable inputs to fair value of investment properties

Every 10% increase/decrease in the adjustments for unobservable inputs, the Group's and the Company's (loss)/profit after tax would have been approximately RM55,598,000 lower/higher (2015: RM50,767,000 higher/lower) and RM5,646,000 lower/higher (2015: RM5,901,000 higher/lower) respectively.

61 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk, foreign exchange currency risk and market price risk. The Board of Directors reviews and sets policies and procedures for the management of these risks. The Risk Committee in accordance with the Group's Enterprise Risk Management framework provides independent oversight to the effectiveness of the risk management process.

It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments against fluctuations in foreign currency exchange rate where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit risk

Credit risk is the potential loss arising from customers or counterparties failing to meet their financial contractual obligations. The Group seeks to control credit risk by ensuring its customers or counterparties have sound financial standing and credit history. The Group has no significant concentration of credit risk due to its diverse customer base.

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

	On demand or within 1 year RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Group				
2016				
Financial liabilities:				
Trade and other payables	6,407,242	–	–	6,407,242
Borrowings	2,811,874	4,126,234	761,888	7,699,996
Total undiscounted financial liabilities	9,219,116	4,126,234	761,888	14,107,238

NOTES TO THE FINANCIAL STATEMENTS

- 31 March 2016

61 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Liquidity risk (Continued)

Analysis of financial instruments by remaining contractual maturities (Continued)

	On demand or within 1 year RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Group (Continued)				
2015				
Financial liabilities:				
Trade and other payables	5,960,620	–	–	5,960,620
Borrowings	2,245,839	4,606,810	742,000	7,594,649
Dividend payable	28,999	–	–	28,999
Total undiscounted financial liabilities	8,235,458	4,606,810	742,000	13,584,268
Company				
2016				
Financial liabilities:				
Trade and other payables	1,742,904	–	–	1,742,904
Borrowings	798,855	1,401,920	220,727	2,421,502
Total undiscounted financial liabilities	2,541,759	1,401,920	220,727	4,164,406
2015				
Financial liabilities:				
Trade and other payables	956,746	–	–	956,746
Borrowings	449,398	1,999,566	689,115	3,138,079
Dividend payable	28,999	–	–	28,999
Total undiscounted financial liabilities	1,435,143	1,999,566	689,115	4,123,824

61 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings at floating rates. The Group's policy is to manage interest cost using a mix of fixed and floating rate debts.

Sensitivity analysis for interest rate risk

The following table demonstrates the sensitivity of the Group's and of the Company's (loss)/profit after tax to a reasonably possible change in 50 basis points to interest rate, with all other variables held constant.

	Basis points	(Loss)/profit after tax			
		Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Borrowings - floating rates	+50	(16,174)	(14,989)	(1,915)	(3,125)
	-50	16,174	14,989	1,915	3,125

The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is exposed to currency risk as a result of the foreign currency transactions entered into in currencies other than its functional currency. Foreign exchange exposures in transactional currencies other than its functional currency of the operating entities are kept to an acceptable level. Material foreign currencies transaction exposures are hedged, mainly with forward foreign exchange contracts.

(e) Market price risk

Market price risk is the risk that the fair value of future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates).

The Group is exposed to equity price risks mainly arising from quoted shares held by the Group. Quoted shares are mainly listed on Bursa Malaysia Securities Berhad. These instruments are classified as financial assets designated at fair value through profit or loss and available-for-sale.

NOTES TO THE FINANCIAL STATEMENTS

- 31 March 2016

61 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(e) Market price risk (Continued)

Sensitivity analysis for market price risk

At the end of the reporting period, if the quoted shares on Bursa Malaysia had been 10% higher or lower, with all other variables held constant, the Group's total comprehensive (loss)/income would have been approximately RM10,144,000 lower/higher (2015: RM3,515,000 higher/lower), arising as a result of an increase/decrease in the fair values of the quoted shares.

62 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

The Group monitors capital using gearing ratio, which is total interest bearing debts divided by total equity. Total debts is equivalent to total borrowings (including current and non-current borrowings) as shown in the consolidated statement of financial position. The Group's policy is to keep the gearing ratio at an acceptable level.

	Note	2016 RM'000	2015 (Restated) RM'000
Group			
Short term borrowings excluding deferred liability	43	2,561,252	2,077,582
Long term borrowings	37	4,303,493	4,832,149
Total borrowings		6,864,745	6,909,731
Total equity		8,503,289	9,352,075
Gross gearing (times)		0.81	0.74
		2016 RM'000	2015 RM'000
Company			
Short term borrowings	43	708,694	315,998
Long term borrowings	37	1,405,632	2,331,091
Total borrowings		2,114,326	2,647,089
Total equity		6,475,950	6,799,515
Gross gearing (times)		0.33	0.39

63 CATEGORIES OF FINANCIAL INSTRUMENTS

The table below provides an analysis of financial instruments categorised as follows:

- (i) Fair value through profit or loss ("FVTPL");
- (ii) Loans and receivables ("L&R");
- (iii) Held-to-maturity ("HTM");
- (iv) Available-for-sale financial assets ("AFS"); and
- (v) Other liabilities ("OL")

	Note	Carrying amount RM'000	FVTPL RM'000	L&R RM'000	HTM RM'000	AFS RM'000
Group 2016						
Financial assets						
Investment securities	23	6,073,331	186,355	-	140,607	5,746,369
Trade and other receivables (excluding amounts due from customers on contracts, accrued billings, prepayments)	29	2,730,424	-	2,730,424	-	-
Banking-related assets						
- Cash and short-term funds	32	1,069,101	-	1,069,101	-	-
- Financing of customers	25	14,327,376	-	14,327,376	-	-
- Statutory deposit with Bank Negara Malaysia	26	703,261	-	703,261	-	-
Short term deposits	30	1,420,553	-	1,420,553	-	-
Cash and bank balances	31	550,999	-	550,999	-	-
Derivative assets	33	40,951	40,951	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

- 31 March 2016

63 CATEGORIES OF FINANCIAL INSTRUMENTS (Continued)

	Note	Carrying amount RM'000	FVTPL RM'000	L&R RM'000	HTM RM'000	AFS RM'000
Group						
2015						
Financial assets						
Investment securities	23	6,739,416	118,657	-	139,042	6,481,717
Trade and other receivables (excluding amounts due from customers on contracts, accrued billings and prepayments)	29	3,490,878	-	3,490,878	-	-
Banking-related assets						
- Cash and short-term funds	32	1,226,944	-	1,226,944	-	-
- Financing of customers	25	13,258,237	-	13,258,237	-	-
- Statutory deposit with Bank Negara Malaysia	26	757,721	-	757,721	-	-
Short term deposits	30	1,872,889	-	1,872,889	-	-
Cash and bank balances	31	588,519	-	588,519	-	-
Derivative assets	33	74,975	74,975	-	-	-

63 CATEGORIES OF FINANCIAL INSTRUMENTS (Continued)

	Note	Carrying amount RM'000	FVTPL RM'000	OL RM'000
Group				
2016				
Financial liabilities				
Trade and other payables (exclude progress billings and amounts due to customers on contracts)	42	6,406,126	-	6,406,126
Borrowings (excluding deferred liability)	37 & 43	6,864,745	-	6,864,745
Banking related liabilities				
- Deposits from customers	41	19,093,655	-	19,093,655
- Deposits and placements of banks and other financial institutions	44	442,252	-	442,252
- Bills and acceptances payable	45	29,350	-	29,350
Derivative liabilities	33	98,346	98,346	-
2015				
Financial liabilities				
Trade and other payables (exclude amounts due to customers on contracts)	42	5,960,567	-	5,960,567
Borrowings (excluding deferred liability)	37 & 43	6,909,731	-	6,909,731
Banking related liabilities				
- Deposits from customers	41	18,922,024	-	18,922,024
- Deposits and placements of banks and other financial institutions	44	408,836	-	408,836
- Bills and acceptances payable	45	67,723	-	67,723
Derivative liabilities	33	56,851	56,851	-
Dividend payable		28,999	-	28,999

NOTES TO THE FINANCIAL STATEMENTS

- 31 March 2016

63 CATEGORIES OF FINANCIAL INSTRUMENTS (Continued)

	Note	Carrying amount RM'000	L&R RM'000	OL RM'000
Company				
2016				
Financial assets				
Trade and other receivables (excluding prepayments)	29	1,146,015	1,146,015	-
Short term deposits	30	239,534	239,534	-
Cash and bank balances	31	11,909	11,909	-
2015				
Financial assets				
Trade and other receivables (excluding prepayments)	29	690,722	690,722	-
Short term deposits	30	384,218	384,218	-
Cash and bank balances	31	1,914	1,914	-
2016				
Financial liabilities				
Trade and other payables	42	1,741,705	-	1,741,705
Borrowings	37 & 43	2,114,326	-	2,114,326
Dividend payable		-	-	-
2015				
Financial liabilities				
Trade and other payables	42	956,746	-	956,746
Borrowings	37 & 43	2,647,089	-	2,647,089
Dividend payable		28,999	-	28,999

64 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 30 June 2016.

65 SUPPLEMENTARY INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFITS

The breakdown of the retained profits of the Group and of the Company as at 31 March 2016 into realised and unrealised profits is presented as follows:

	Group		Company	
	2016	2015 (Restated)	2016	2015
	RM'000	RM'000	RM'000	RM'000
Total retained profits of the Company and subsidiaries:				
- Realised	2,689,222	3,949,072	1,359,535	1,914,798
- Unrealised	136,745	61,333	5,933	3,803
	2,825,967	4,010,405	1,365,468	1,918,601
Total share of retained profits from joint ventures:				
- Realised	142,643	131,262	-	-
- Unrealised	2,225	3,387	-	-
Total share of retained profits from associated companies:				
- Realised	479,601	445,325	-	-
- Unrealised	21,555	8,429	-	-
Total retained profits as per financial statements	3,471,991	4,598,808	1,365,468	1,918,601

STATEMENT BY DIRECTORS

Pursuant to Section 169(15) of the Companies Act 1965

We, Brig. Gen. (K) Tan Sri Dato' Sri (Dr) Haji Mohd Khamil bin Jamil and Dato' Sri Syed Faisal Albar bin Syed Ali Rethza Albar, being two of the Directors of DRB-HICOM Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 144 to 312 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2016 and of their financial performance and the cash flows of the Group and of the Company for the financial year ended in accordance with the provisions of the Companies Act 1965 and Financial Reporting Standards in Malaysia. The information set out in Note 65 to the financial statements on page 313 have been prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 30 June 2016.

BRIG. GEN. (K) TAN SRI DATO' SRI (DR) HAJI MOHD KHAMIL BIN JAMIL
Chairman

DATO' SRI SYED FAISAL ALBAR BIN SYED ALI RETHZA ALBAR
Group Managing Director

STATUTORY DECLARATION

Pursuant to Section 169(16) of the Companies Act 1965

I, Amalanathan Thomas, the officer primarily responsible for the financial management of DRB-HICOM Berhad, do solemnly and sincerely declare that the financial statements set out on pages 144 to 313 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act 1960.

AMALANATHAN THOMAS

Subscribed and solemnly declared by the abovenamed Amalanathan Thomas at Shah Alam in Malaysia on 30 June 2016.

Before me,
Commissioner for Oaths



NO. 203A, LEVEL 2
BLOK 1, LAMAN SERI BUSINESS PARK
SEKSYEN 13
40100 SHAH ALAM
SELANGOR.

INDEPENDENT AUDITORS' REPORT

To the Members of DRB-HICOM Berhad (Incorporated in Malaysia)

Report on the financial statements

We have audited the financial statements of DRB-HICOM Berhad, which comprise the statements of financial position as at 31 March 2016 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 144 to 312.

Directors' responsibility for the financial statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 March 2016 and of their financial performance and cash flows for the year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

INDEPENDENT AUDITORS' REPORT

To the Members of DRB-HICOM Berhad (Incorporated in Malaysia)

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:

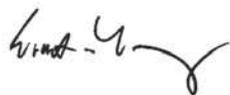
- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 3 to the financial statements, being financial statements that have been included in the consolidated financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.
- (d) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

Other reporting responsibilities

The supplementary information set out in Note 65 to the financial statements on page 313 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



Ernst & Young
AF: 0039
Chartered Accountants

Kuala Lumpur, Malaysia
30 June 2016



Abraham Verghese A/L T.V. Abraham
No. 1664/10/16(J)
Chartered Accountant

ANALYSIS OF SHAREHOLDINGS

As at 30 June 2016

Class of Securities	: Ordinary shares of RM1.00 each
Authorised Share Capital	: RM2,000,000,000
Issued and Fully Paid-Up Share Capital	: RM1,933,237,051 comprising 1,933,237,051 ordinary shares of RM1.00 each
Voting Rights	: Every member of the Company present in person or by proxy shall have one vote on a show of hands, and in the case of poll, shall have one vote for each share he/she holds.
Number of Shareholders	: 39,871

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	Number of Shareholders	% of Shareholders	Number of Shares Held	% of Issued Shares
1 – 99	634	1.59	11,954	0.00*
100 – 1,000	17,822	44.70	12,913,898	0.67
1,001 – 10,000	17,203	43.14	66,317,856	3.43
10,001 – 100,000	3,727	9.35	113,715,170	5.88
100,001 – 96,661,851 (Less than 5% of issued shares)	483	1.21	527,876,735	27.31
96,661,852 and Above (5% and above of issued shares)	2	0.01	1,212,401,438	62.71
Total	39,871	100.00	1,933,237,051	100.00

Note:-

* Less than 0.01%

TOP THIRTY SECURITIES ACCOUNT HOLDERS

(Based on the Record of Depositors without aggregating the securities from different securities accounts belonging to the same Depositor)

No.	Name	Number of Shares Held	% of Issued Shares
1.	Etika Strategi Sdn. Bhd.	1,081,061,741	55.92
2.	Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board	131,339,697	6.79
3.	Lembaga Tabung Haji	91,457,700	4.73
4.	Kumpulan Wang Persaraan (Diperbadankan)	75,528,400	3.91
5.	HSBC Nominees (Asing) Sdn. Bhd. NTGS LDN for Skagen Kon-Tiki Verdipapirfond	22,949,900	1.19
6.	Citigroup Nominees (Asing) Sdn. Bhd. CBNY for Dimensional Emerging Markets Value Fund	18,065,200	0.93
7.	Citigroup Nominess (Asing) Sdn. Bhd. Exempt an for Citibank New York (Norges Bank 1)	14,187,195	0.73
8.	Tai Tak Estates Sdn. Bhd.	10,952,653	0.57
9.	HSBC Nominees (Asing) Sdn. Bhd. Exempt an for JPMorgan Chase Bank, National Association (U.S.A.)	10,663,100	0.55

ANALYSIS OF SHAREHOLDINGS

As at 30 June 2016

No.	Name	Number of Shares Held	% of Issued Shares
10.	HSBC Nominees (Asing) Sdn. Bhd. TNTC for LSV Emerging Markets Equity Fund L.P.	9,218,600	0.48
11.	RHB Investment Bank Berhad IVT "SW Book 1"	8,955,700	0.46
12.	Citaria Sdn. Bhd.	8,324,572	0.43
13.	Citigroup Nominees (Asing) Sdn. Bhd. CBNY for DFA Emerging Markets Small Cap Series	8,197,200	0.42
14.	Citigroup Nominees (Asing) Sdn. Bhd. CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc	7,802,300	0.40
15.	HSBC Nominees (Asing) Sdn. Bhd. BBH and Co Boston for Vanguard Emerging Markets Stock Index Fund	7,207,800	0.37
16.	Foo Khen Ling	6,850,000	0.35
17.	Yap Ah Fatt	6,680,000	0.35
18.	CIMB Group Nominees (Tempatan) Sdn. Bhd. CIMB Bank Berhad (EDP 2)	6,447,800	0.33
19.	Maybank Nominees (Tempatan) Sdn. Bhd. EtiqaTakaful Berhad (Family PRF EQ)	4,871,400	0.25
20.	Cartaban Nominees (Asing) Sdn. Bhd. Exempt an for State Street Bank & Trust Company (West CLT OD67)	4,452,500	0.23
21.	HSBC Nominees (Asing) Sdn. Bhd. Exempt an for JPMorgan Chase Bank, National Association (Australia)	4,183,000	0.22
22.	Muhamad Aloysius Heng	4,052,900	0.21
23.	Lim Pei Tiam @ Liam Ahat Kiat	4,019,000	0.21
24.	Maybank Nominees (Tempatan) Sdn. Bhd. EtiqaTakaful Berhad (Annuity PIF EQ)	3,862,000	0.20
25.	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Mah Lily (E-BBB/SNG)	3,844,300	0.20
26.	Amsec Nominess (Tempatan) Sdn. Bhd. Amtrustee Berhad for Pacific Pearl Fund (UT-PM-PPF)	3,574,900	0.18
27.	Maybank Nominees (Tempatan) Sdn. Bhd. Maybank Trustees Berhad for RHB Capital Fund (200189)	3,400,000	0.18
28.	Affin Hwang Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Lam Kong Foo (LAM0057C)	3,000,000	0.16
29.	CIMB Group Nominees (Asing) Sdn. Bhd. Exempt an for DBS Bank Ltd (SFS)	2,877,500	0.15
30.	Citigroup Nominees (Asing) Sdn. Bhd. Macquarie Bank Limited (DBU A/C)	2,805,400	0.15

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

(Based on the Register of Substantial Shareholders)

Name	Direct Interest		Indirect Interest		Total % of Issued Shares
	Number of Shares Held	% of Issued Shares	Number of Shares Held	% of Issued Shares	
Etika Strategi Sdn. Bhd.	1,081,061,741	55.92	–	–	55.92
Employees Provident Fund Board	131,339,697	6.79	–	–	6.79
Tan Sri Dato' Seri Syed Mokhtar Shah bin Syed Nor ^(N1)	–	–	1,081,061,741	55.92	55.92

Note:-

^(N1) Deemed interest by virtue of his interest in Etika Strategi Sdn. Bhd. pursuant to Section 6A of the Companies Act, 1965.

DIRECTORS' SHAREHOLDINGS IN THE COMPANY AND ITS RELATED CORPORATIONS

(Based on the Register of Directors' Shareholdings)

Interest in the Related Corporation	Direct Interest		Indirect Interest	
	Number of Shares Held	% of Issued Shares	Number of Shares Held	% of Issued Shares
Shares held in Etika Strategi Sdn. Bhd., the holding company by: Brigadier General (K) Tan Sri Dato' Sri (Dr) Haji Mohd Khamil bin Jamil	30,000	10.00	–	–

Save as disclosed above, none of the other Directors of the Company has any interest in shares in the Company or its related corporations.

SENIOR MANAGEMENT' S SHAREHOLDINGS IN THE COMPANY AND ITS RELATED CORPORATIONS

(Based on the Record of Depositors)

Interest in the Company	Direct Interest		Indirect Interest	
	Number of Shares Held	% of Issued Shares	Number of Shares Held	% of Issued Shares
Datuk Mohamed Razeek bin Md Hussain Maricar	3,100	0.00*	–	–
Amalanathan Thomas	37,000	0.00*	–	–

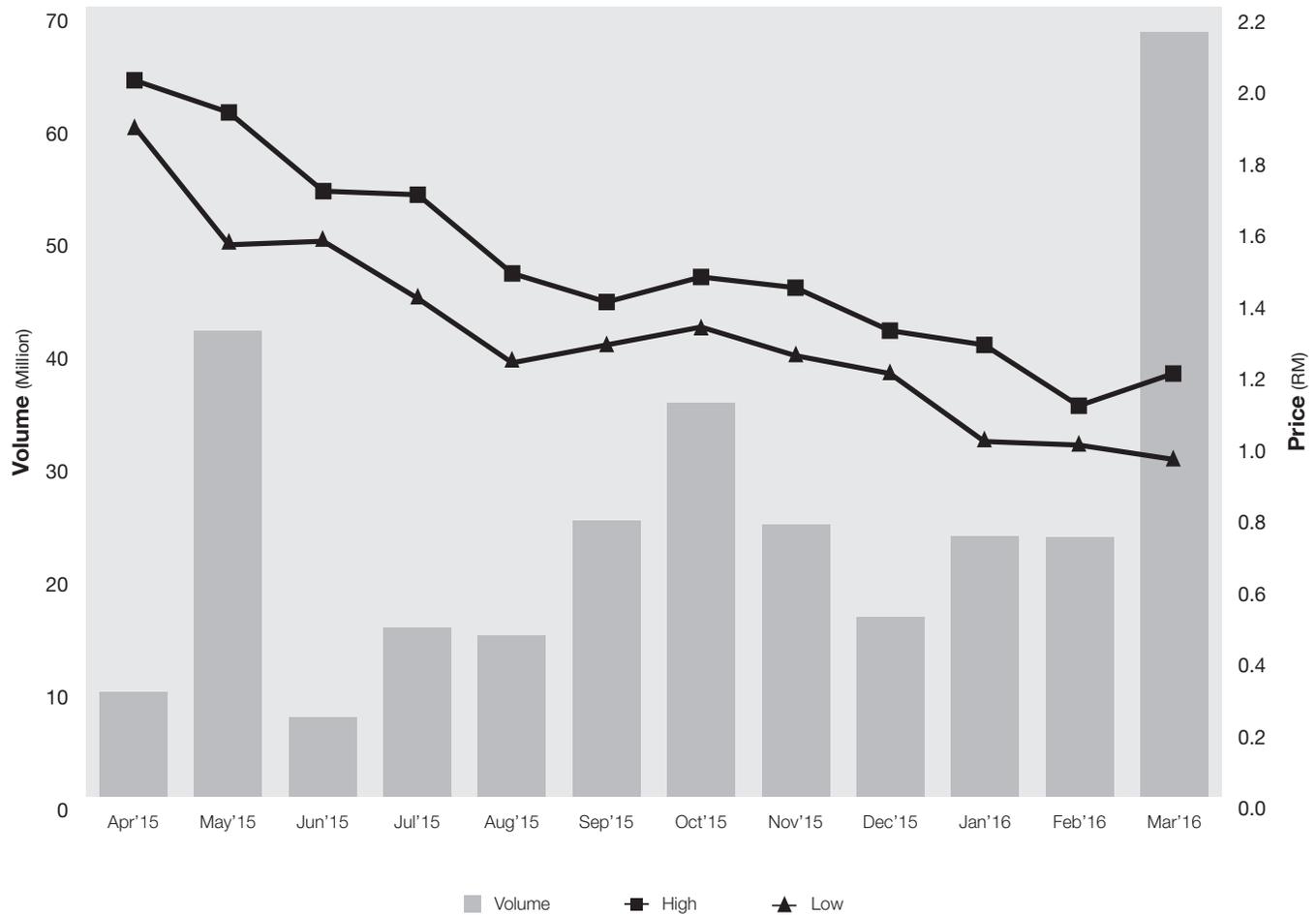
Note:-

* Less than 0.01%

Save as disclosed above, none of the other Senior Management of the Company has any interest in shares in the Company or its related corporations.

SHARE PERFORMANCE CHART

Share price from April 2015 to March 2016



MATERIAL PROPERTIES OF DRB-HICOM GROUP

As at 31 March 2016

No	Location	Description/existing use	Approximate age of building	Tenure	Approx. area	Group Net book value as at 31 March 2016 RM'000
1	HS(D) B.P. 5653 and 5654 Bil PT 16162 and 10163 Mukim of Ulu Bernam Timur District of Batang Padang Perak Darul Ridzuan	Automobile plant, administrative building and sports complex facilities.	13 years	Freehold	5,150,600 sq.m (Land)	500,664
2	PTD 176399 to 176523, 176536 to 177094, 177101, 177108, 177109, 177114, 177115, 177127, 177137, 177138, 177637, 177638, 177143 to 177328 and 177340 to 177630 Mukim Tebrau Daerah Johor Bahru Johor Darul Ta'zim	Land held for residential and commercial development.	–	Freehold	2,366,953 sq.m (Land)	471,322
3	Lots No. 39617, 39619 and 46970 Mukim of Damansara District of Petaling Selangor Darul Ehsan	Main office, main factory, engine factory, medium volume factory, canteen buildings, sports facilities, additional R&D laboratories building, car park for production cars and staff and semi-high speed test track.	19-31 years	Freehold	816,100 sq.m (Land)	465,585
4	Lots 1017T, 1018A, 70000P and 70001T of Town Subdivision 16 Comprised in Certificate of Title Volume 614 Folio 67 Singapore	Retail and car park complex.	13 years	Leasehold expiring in 2096	6,397 sq.m (Land)	405,860
5	HS(D) 4546, PT 13225 and HS(D) 4609, PT 2743 Daerah Pekan, Mukim Pekan Pahang Darul Makmur	University college campus and hostel.	4 years	Leasehold 99 years expiring in years 2109 and 2112	262,290 sq.m (Land)	195,004

MATERIAL PROPERTIES OF DRB-HICOM GROUP

As at 31 March 2016

No	Location	Description/existing use	Approximate age of building	Tenure	Approx. area	Group Net book value as at 31 March 2016 RM'000
6	Lots No. 63004 (PT 772), 63108 (PT 1828 & 1829), 63109 (PT 465), 63110 (PT 466), 63111 (PT 467) and 63112 (PT 468) Town of Glenmarie, Mukim Damansara District of Petaling Selangor Darul Ehsan	Hotel, golf course and club house.	22-23 years	Freehold	1,489,836 sq.m (Land)	183,793
7	Lot No. 77170 and individual titles from master titles (Lots No. 77174 and 77175) Mukim and District of Klang Selangor Darul Ehsan	Land held for residential and commercial development.	–	Freehold	444,215 sq.m (Land)	172,925
8	GM 1867 Lot 1468, HS(D) 423-578 (PT 919-1074) and HS(D) 579-588 (PT 1075-1088) Mukim Kedawang Daerah Langkawi Kedah Darul Aman	94 units chalet & marina and land held for development.	16-19 years	Freehold and Leasehold expiring in year 2054	1,565,651 sq.m (Land)	157,156
9	HS(D) 63928, PT 5689 and HS(D) 63929, PT 5690 Mukim Gurun Daerah Kuala Muda Kedah Darul Aman	Industrial land with office and building.	20 years	Freehold	650,360 sq.m (Land)	149,737
10	Land adjacent to Potash Lane Hethel, Norwich, Norfolk NR 14 8EZ England and Land north of Browic	Factory, engineering facilities, office and test track.	48 years	Freehold	584,040 sq.m (Land)	139,843

Form of Proxy

DRB-HICOM BERHAD

(Company No.: 203430-W)

(Incorporated in Malaysia)

Number of Shares held	CDS Account No.													

I/We, _____ NRIC/Company No. _____
(FULL NAME AS PER NRIC/CERTIFICATE OF INCORPORATION IN BLOCK LETTERS)

(Tel No: _____) of _____
(FULL ADDRESS)

being a member/members of DRB-HICOM Berhad, hereby appoint the following:

Name of Proxy	NRIC/Passport No.	Proportion of Shareholdings (%)
and/or failing him/her		

or failing him/her, the Chairman of the Meeting, as my/our proxy to attend and vote for me/us on my/our behalf at the Twenty-Sixth Annual General Meeting ("26th AGM") of the Company to be held at Glenmarie Ballroom, Holiday Inn Kuala Lumpur Glenmarie (Tel: 03-7803 1000), No. 1, Jalan Usahawan U1/8, Seksyen U1, 40250 Shah Alam, Selangor Darul Ehsan on **Thursday, 29 September 2016 at 9.00 a.m.** and at any adjournment thereof.

My/our proxy is to vote on the resolutions as indicated by an "X" in the appropriate spaces below. If this form is returned without any indication as to how the proxy shall vote, the proxy shall vote or abstain as he/she thinks fit.

ORDINARY BUSINESS			
No.	Ordinary Resolution	For	Against
1.	To approve the declaration of first and final dividend		
2.	To re-elect YBhg Dato' Sri Syed Faisal Albar bin Syed A.R. Albar as Director		
3.	To re-elect YBhg Dato' Siti Fatimah binti Daud as Director		
4.	To re-elect YBhg Dato' Abdul Rahman bin Ahmad as Director		
5.	To re-elect YBhg Brigadier General (K) Tan Sri Dato' Sri (Dr) Haji Mohd Khamil bin Jamil as Director		
6.	To re-elect and retain YBhg Tan Sri Marzuki bin Mohd Noor as Senior Independent Director		
7.	To re-appoint and retain Mr Ong le Cheong as Independent Director		
8.	To re-appoint Messrs Ernst & Young as Auditors		

Dated this _____ day of _____, 2016.

Signature(s) of shareholder(s) or
Common Seal of corporate shareholder

NOTES:-

- (a) A member entitled to attend the meeting may appoint not more than two (2) proxies who may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Act shall not apply to the Company.
- (b) Where a member of the Company is an authorised nominee, as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds to which ordinary shares in the Company are credited.
- (c) For an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account (omnibus account), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- (d) The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised in writing.
- (e) Where a member/an authorised nominee/an exempt authorised nominee appoints proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies. If the form of proxy is returned without an indication as to how the proxy shall vote on any particular matter, the proxy may exercise his/her discretion as to whether to vote on such matter and if so, how.
- (f) A proxy appointed to attend and vote at the meeting shall have the same rights as the member to speak at the meeting. The lodging of a form of proxy does not preclude a member from attending and voting in person at the meeting should the member subsequently decide to do so.
- (g) The instrument appointing a proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy thereof, shall be deposited at the office of the Share Registrar, Symphony Share Registrars Sdn. Bhd., Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan (Tel: 03-7849 0777) not less than forty-eight (48) hours before the time set for holding this meeting.
- (h) For purpose of determining a member who shall be entitled to the 26th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to issue a General Meeting Record of Depositors as at 22 September 2016. Only a depositor whose name appears therein shall be entitled to attend the said meeting or appoint a proxy(ies) to attend and vote on such depositor's behalf.

Then fold here

STAMP

Symphony Share Registrars Sdn. Bhd. (378993-D)
Registrar for DRB-HICOM Berhad
Level 6, Symphony House
Pusat Dagangan Dana 1, Jalan PJU 1A/46
47301 Petaling Jaya, Selangor Darul Ehsan
Malaysia

1st fold here

Fold this for sealing

DRB-HICOM Berhad

(203430-W)

(Incorporated in Malaysia)

Level 5, Wisma DRB-HICOM
No. 2, Jalan Usahawan U1/8, Seksyen U1
40150 Shah Alam, Selangor.
Tel : +603 2052 8000
Fax : +603 2052 8099
www.drb-hicom.com